

BOARD MEETING OF APRIL 10, 2014

J. Paul Ozer, Chair



Juan Muñoz, Vice-Chair

J. Mark McWatters, Member

Leslie Bingham Escareño, Member

Robert D. Thomas, Member

Tom Gann, Member

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

A G E N D A

**9:00 a.m.
April 10, 2014**

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

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

J. Paul Oxer, Chairman

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

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

CONSENT AGENDA

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

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

EXECUTIVE

- a) Presentation, Discussion, and Possible Action regarding the Board Minutes Summary for December, 12, 2013; January 23, 2014; February 20, 2014
- b) Presentation, Discussion, and Possible Action superseding Resolution No. 13-012 by the adoption of Resolution No. 14-018, Designating Signature Authority

Barbara Deane
Board Secretary

David Cervantes
Chief Financial Officer

RULES

- c) Presentation, Discussion, and Possible Action on the proposed amendments to 10 TAC Chapter 25 relating to the Colonia Self-Help Center Program and directing its publication for public comment in the *Texas Register*
- d) Presentation, Discussion, and Possible Action on proposed new 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.24, concerning Protected Health Information, and directing its publication for public comment in the *Texas Register*
- e) Presentation, Discussion, and Possible Action on a proposed repeal of 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.23, concerning Protected Health Information, and directing its publication for public comment in the *Texas Register*

Homero Cabello
Dir. OCI/HTF

Michael DeYoung
Assist. DED, Network
& Customer Service

- f) Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program, §5.430, concerning Allowable Subrecipient Administrative and Program Services Costs, and directing its publication in the *Texas Register*
- g) Presentation, Discussion, and Possible Action on proposed amendments to 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.5(e), concerning Previous Participation Reviews, and directing their publication for public comment in the *Texas Register*

Cari Garcia
Dir. Asset Management

COMMUNITY AFFAIRS

- h) Presentation, Discussion, and Possible Action to Grant staff the Authority to Award a contract to one or more responsive bids generated from a previously authorized Request for Proposals that provides organizational assessments and possible associated technical assistance to awardees of programs funded through the Department, primarily nonprofit organizations funded through the Community Affairs Division programs
- i) Presentation, Discussion, and Possible Action on an amendment to the existing Community Services Block Grant contracts awarded to Texas Homeless Network for additional CSBG-D funds
- j) Presentation, Discussion, and Possible Action on the Award of Department of Energy (DOE) Weatherization Assistance Program (WAP) and Low-Income Home Energy Assistance Program (LIHEAP) WAP contracts to Community Council of South Central Texas, Inc. to provide weatherization services in Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde, and Zavala counties

Michael DeYoung
Assist. DED, Network
& Customer Service

BOND FINANCE

- k) Presentation, Discussion, and Possible Action on Resolution 14-019 regarding the annual approval of the Department’s Investment Policy
- l) Presentation, Discussion, and Possible Action on Resolution No. 14-020 authorizing the Second Amendment to the Servicing Agreement between the Department and US Bank

Tim Nelson
Dir. Bond Finance

LEGAL

- m) Presentation, Discussion, and Possible Action on the adoption of an Agreed Final Order concerning Trails Redevelopment dba Spanish Creek Apartments (HTC 93173)

Jeff Pender
Deputy General
Counsel

ASSET MANAGEMENT

- n) Presentation, Discussion, and Possible Action on approval of a Material LURA Amendment

95081/93057	Parks at Wynnewood	Dallas
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- o) Presentation, Discussion, and Possible Action on approval of Housing Tax Credit Amendments

13232	Pine Lake Estates	Nacogdoches
13118	Oak Ridge Apartments	Nolanville
13196	Emerald Village	San Antonio
12252	Gulf Coast Arms Apartments	Houston
060613/060613B	Stonehaven Apartment Homes	Houston

Cari Garcia
Dir. Asset Management

- p) Presentation, Discussion, and Possible Action regarding Resolution No. 14-025 pursuant to Texas Government Code §2306.174 concerning the holding of real estate beyond three year limitation

MULTIFAMILY FINANCE DIVISION

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

Jean Latsha
Dir. Multifamily
Finance

13429	William Cannon Apartments	Austin
13430	Parmer Place Apartments	Austin
14400	The Point at Ben White	Austin
14401	Villages of Ben White	Austin

- r) Presentation, Discussion, and Possible Action to approve up to a six month extension and take other appropriate action to facilitate such extensions and completion of HOME Investment Partnership (HOME) Program Multifamily 2011 and 2012 Contracts which have not yet cleared their final the Department construction inspection
- s) Presentation, Discussion and Possible Action regarding Resolution No. 14-026 for the Redemption Agreement relating to the Multifamily Housing Revenue Bonds for Tranquility Bay Apartments, Series 2004

REPORT ITEMS

The Board accepts the following reports:

1. Presentation on the Department Quarterly Snapshot Tool
2. Presentation of a Final Status Report on the Implementation of the American Recovery and Reinvestment Act of 2009
3. TDHCA Outreach Activities, Feb-March 2014

David Johnson
Manager, Program,
Planning, Policy and
Metrics

Michael Lyttle
Chief of External
Affairs

ACTION ITEMS

ITEM 2: SINGLE FAMILY, COMMUNITY AFFAIRS AND METRICS

- a) Report from the Deputy Executive Director for Single Family, Community Affairs, and Metrics
- b) Presentation, Discussion, and Possible Action on submitting an application to the U.S. Department of Housing and Urban Development for the Fiscal Year 2013 Section 811 Project Rental Assistance (PRA) Program.

Brooke Boston
DED SF, CA, &
Metrics

ITEM 3: BOND FINANCE

- a) Presentation, Discussion, and Possible Action on Resolution 14-021 regarding the annual approval of the Department’s Interest Rate Swap Policy
- b) Presentation, Discussion, and Possible Action on Resolution No. 14-022 authorizing Transfer of Interest Rate Swap Transactions with Respect to Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B and Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H

Tim Nelson
Dir. Bond Finance

- c) Presentation, Discussion, and Possible Action on Resolution No. 14-023 authorizing Amendments to the Supplemental Indentures for the Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B and Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H
- d) Presentation, Discussion, and Possible Action on Resolution No. 14-024 authorizing Certain Actions Relating to Interest Rate Swap Transactions

ITEM 4: ASSET MANAGEMENT:

- a) Presentation, Discussion, and Possible Action on approval of Housing Tax Credit Amendments

Cari Garcia
Dir. Asset Management

13201 Trails at Carmel Creek Hutto

ITEM 5: COMPLIANCE DIVISION

- a) Presentation and discussion of a preliminary draft Enforcement Rule

Patricia Murphy
Chief, Compliance

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

EXECUTIVE SESSION

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

1. The Board may go into Executive Session Pursuant to 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
2. Pursuant to Tex. Gov't. Code, §551.071(1) to seek the advice of its attorney about pending or contemplated litigation or a settlement offer, including:
 - a) *The Inclusive Communities Project, Inc. v. Texas Department of Housing and Community Affairs, et al., filed in federal district court, Northern District of Texas.*
 - b) *Galveston Open Government Project, et al., v. U.S. Department of Housing and Urban Development, et al., filed in federal district court, Southern District of Texas*
 - c) *Culberson County litigation*
3. Pursuant to Tex. Gov't. Code, §551.071(2) for the purpose of seeking the advice of its attorney about a matter in which the duty of the attorney to the governmental body under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflicts with Tex. Gov't. Code, Chapter 551
 - a) Complaint/comments regarding draft State of Texas' Phase 2 Plan for Fair Housing Choice: Analysis of Impediments; Texas Appleseed, Texas Low Income Housing Information Service, and fair housing complaints involving local jurisdiction
4. Pursuant to Tex. Gov't. Code, §551.072 to deliberate the possible purchase, sale, exchange, or lease of real estate because it would have a material detrimental effect on the Department's ability to negotiate with a third person; and/or-
5. Pursuant to Tex. Gov't. Code, §2306.039(c) the Department's internal auditor, fraud prevention coordinator, or ethics advisor may meet in an executive session of the Board to discuss issues related to fraud, waste, or abuse.

J. Paul Oxer
Chairman

OPEN SESSION

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

ADJOURN

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Michael Lyttle, 512-475-4542, TDHCA, 221 East 11th Street, Austin, Texas 78701, and request the information.

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

Non-English speaking individuals who require interpreters for this meeting should contact Jorge Reyes, 512-475-4577 at least three (3) days before the meeting so that appropriate arrangements can be made.

Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

CONSENT AGENDA

1a

BOARD ACTION REQUEST

BOARD SECRETARY

APRIL 10, 2014

Presentation, Discussion, and Possible Action on the Board Meeting Minutes Summary for December 12, 2013; January 23, 2014; February 20, 2014

RECOMMENDED ACTION

Approve Board Meeting Minutes Summaries for December 12, 2013; January 23, 2014; February 20, 2014

RESOLVED, that the Board Meeting Minutes Summaries for December 12, 2013, January 23, 2014, and February 20, 2014, as having been specifically approved, are hereby approved as presented.

Texas Department of Housing and Community Affairs Governing Board
Board Meeting Minutes Summary
December 12, 2013

On Thursday, the 12th day of December, 2013, at 10:00 a.m., the regular monthly meeting of the Governing Board (“Board”) of the Texas Department of Housing and Community Affairs (“TDHCA”) was held in Room JHR 140 of the John H. Reagan Building, Austin, Texas.

The following members, constituting a quorum, were present and voting:

- J. Paul Oxer
- Leslie Bingham Escareño
- Tom H. Gann
- J. Mark McWatters
- Robert Thomas

J. Paul Oxer served as Chair, and Barbara Deane served as secretary.

- 1) The Board adopted the Consent Agenda as presented, except for Items 1h, 1v, and Report Item 4, with five votes in favor and zero votes opposed.
- 2) Report Item 4 – TDHCA staffer Kate Moore, Section 811 manager, presented the item and gave the Board a report on the Real Choice Systems Change Grant.
- 3) Agenda Item 1h – TDHCA Chief of Compliance, Patricia Murphy, presented Item 1h: Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.3, concerning Delinquent Audits and Related Issues. The item was adopted as amended after public comment (summarized below) with five votes in favor and zero votes opposed.
 - Brad Manning, Texas Neighborhood Services, testified on behalf of the Texas Association of Community Action Agencies (“TACAA”) that he and TACAA organization were more amendable to this item with the changes to the posted item that had been provided by staff.
- 4) Agenda Item 1v – Report and Possible Action on a letter from HUD regarding non-performing HOME multifamily activities, including those in Dickinson – was presented by Tom Gouris, TDHCA Deputy Executive Director. The item had no public comment and was approved five votes in favor to zero votes opposed.
- 5) Agenda Item 2a – Report from the Deputy Executive Director for Single Family, Community Affairs, and Metrics – was presented by Brooke Boston.
- 6) Agenda Item 2b – Presentation, Discussion, and Possible Action authorizing specific next steps relating to the Section 811 Project Rental Assistance Demonstration Program – was presented by Kate

Moore. The item received no public comment and was approved five votes in favor to zero votes opposed.

7) Agenda Item 3a – Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer for #13417 Master’s Ranch in San Antonio, #13419 Hunter Plaza in Fort Worth, #13424 Sikes Road (aka Arthur Robinson II) in Orange, #13425 Pine Grove in Orange, and #13426 Velma Jeter in Orange – was presented by Cameron Dorsey, TDHCA Multifamily Finance Director. The item received no public comment and was approved with five votes in favor and zero votes opposed.

8) Agenda Item 3c – Presentation, Discussion, and Possible Action to Ratify and Confirm Awards of Competitive 9% Low Income Housing Tax Credits from the 2013 State Housing Tax Credit ceiling from the Waiting List for the 2013 Housing Tax Credit Application Round – was presented by TDHCA Executive Director, Tim Irvine, and Mr. Dorsey. The item received no public comment and was approved with five votes in favor and zero votes opposed.

9) Agenda Item 3b – Presentation, Discussion, and Possible Action regarding Awards of HOME funds from the 2013-1 HOME Multifamily Development Program Notice of Funding Availability – was presented by Mr. Dorsey. The item received no public comment and was approved with five votes in favor and zero votes opposed.

10) Agenda Item 3d – Presentation, Discussion, and Possible Action regarding the fulfillment of the 10% test, for HTC #12121, Memorial Apartments in McAllen, Texas – was presented by Mr. Gouris. The item was adopted after public comment (summarized below) with four votes in favor and one vote (Leslie Bingham Escareño) opposed.

- David Marquez, co-developer of Memorial Apartments, testified in opposition to the staff recommendation and offered alternative language to the recommendation
- George Littlejohn, from Novogradac and Company, testified with technical information regarding the item
- Mike Lopez, Hidalgo County Housing Authority, testified with additional information regarding the item

11) At 11:50 a.m. the Board went into Executive Session and reconvened in open session at 12:30 p.m. No action was taken in or as a result of Executive Session.

12) Mr. Dorsey provided comment regarding how TDHCA planned to address the previous participation rule change and expressed a desire for his comments to go on the record in order to clarify previously expressed concerns from the development community.

Except as noted otherwise, all materials presented to and reports made to the Board were approved, adopted, and accepted. These minutes constitute a summary of actions taken. The full transcript of the meeting, reflecting who made motions, offered seconds, etc., questions and responses, and details of comments, is retained by TDHCA as an official record of the meeting.

There being no further business to come before the Board, the meeting adjourned at 12:36 p.m. The next meeting is set for Thursday, January 23, 2014.

Secretary

Approved:

Chair

**Texas Department of Housing and Community Affairs Governing Board
Board Meeting Minutes Summary
January 23, 2014**

On Thursday, the 23rd day of January, 2014, at 10:00 a.m., the regular monthly meeting of the Governing Board (“Board”) of the Texas Department of Housing and Community Affairs (“TDHCA”) was held in Room JHR 140 of the John H. Reagan Building, Austin, Texas.

The following members, constituting a quorum, were present and voting:

- J. Paul Oxe
- Dr. Juan Muñoz
- Leslie Bingham Escareño
- Tom H. Gann
- J. Mark McWatters

J. Paul Oxe served as Chair, and Barbara Deane served as secretary.

1) The Board adopted a Memorial Resolution in honor of Mr. Don Jones, former chief of staff for The Honorable Jose Menendez, State Representative for Texas House District 124

2) The Board adopted the Consent Agenda as presented, except for Items 1(g) and 1(n), with five votes in favor and zero votes opposed.

3) Agenda Item 1(g) – Presentation, Discussion, and Possible Action on Authorization to Release a Notice of Funding Availability (“NOFA”) for Fiscal Year 2014 Community Services Block Grant (“CSBG”) Discretionary funds – was presented by Michael DeYoung, TDHCA Assistant Deputy Executive Director for Network, Community Affairs & Customer Service. Mr. DeYoung gave the board a historical perspective on how TDHCA has used CSBG discretionary funding. The item was adopted after public comment (summarized below) with five votes in favor and zero opposed.

- Kathy McDonald, Urban Intertribal Center, testified in favor of continued funding
- Ken Martin, Texas Homeless Network, reported on how his organization utilized previous CSBG discretionary funding and the need for it to continue
- Stella Rodriguez, Texas Association of Community Action Agencies, testified on the ROMA initiative

4) Agenda Item 1(n) – Presentation, Discussion, and Possible Approval of a proposal to utilize NSP1 Program Income to support continued land bank programs – was presented by Marni Holloway, TDHCA’s Texas Neighborhood Stabilization Program Director. The item was adopted after public comment (summarized below) with five votes in favor and zero votes opposed.

- David Danenfelzer, Texas State Affordable Housing Corporation, expressed concern regarding how his organization will be reimbursed for land bank activities under the program.

5) Agenda Item 2(a) – Presentation, Discussion, and Possible Action on Acceptance of the 2013 Audit Results from the State Auditor’s Office – was presented by TDHCA Internal Auditor, Sandy Donoho. The item was adopted after public comment (summarized below) with five votes in favor and zero votes opposed.

- Amadou N’Gáide, Texas State Auditor’s Office (“SAO”), reported on the SAO’s audit of TDHCA’s financial statements for fiscal year 2013.

5) Agenda Item 2(b) – Ms. Donoho provided a report from the Audit Committee meeting held prior to the Board meeting.

6) Agenda Item 3(a) – Presentation, Discussion, and Possible Action to Ratify the Award of Competitive 9% Low Income Housing Tax Credits from the Waiting List and Consider the Application Amendment for Bella Terra Apartments (#13270) – was presented by Cameron Dorsey, TDHCA Director of Multifamily Finance. The item had no public comment and was approved five votes in favor and zero votes opposed.

7) Agenda Item 3(b) – Presentation, Discussion, and Possible Action to Accept Guidance Issued by Staff in the Form of Frequently Asked Questions for the 2014 Competitive 9% Low Income Housing Tax Credit Application Round – was presented by Jean Latsha, TDHCA Housing Tax Credit Program manager. The item received no public comment and was approved five votes in favor to zero votes opposed.

8) Agenda Item 3(c) – Presentation, Discussion, and Possible Action to adopt a process for receipt and review of certain HOME Multifamily Development Program applications prior to execution of a 2014 grant agreement with HUD for such funds – was presented by Mr. Dorsey. The item after public comment (summarized below) was approved with five votes in favor and zero votes opposed.

- Dennis Hoover, Rural Rental Housing Association of Texas, testified that rural affordable housing developers are in need of HOME funding due to federal budget decreases in housing funding.

9) Agenda Item 4 – Update and possible action regarding prior action to address non-performing HOME multifamily activities, including those in Dickinson – was presented by Tom Gouris, TDHCA Deputy Executive Director for Asset Analysis and Management. Mr. Gouris provided the report to the Board, there was no public comment, and no action was taken.

10) At 11:31 a.m. the Board went into Executive Session and reconvened in open session at 12:16 p.m. No action was taken in or as a result of Executive Session.

Except as noted otherwise, all materials presented to and reports made to the Board were approved, adopted, and accepted. These minutes constitute a summary of actions taken. The full transcript of the meeting, reflecting who made motions, offered seconds, etc., questions and responses, and details of comments, is retained by TDHCA as an official record of the meeting.

There being no further business to come before the Board, the meeting adjourned at 12:17 p.m. The next meeting is set for Thursday, February 20, 2014.

Secretary

Approved:

Chair

**Texas Department of Housing and Community Affairs Governing Board
Board Meeting Minutes Summary
February 20, 2014**

On Thursday, the 20th day of February, 2014, at 10:00 a.m., the regular monthly meeting of the Governing Board (“Board”) of the Texas Department of Housing and Community Affairs (“TDHCA”) was held in Room JHR 140 of the John H. Reagan Building, Austin, Texas.

The following members, constituting a quorum, were present and voting:

- J. Paul Oxer
- Dr. Juan Muñoz
- Leslie Bingham Escareño
- Robert Thomas

J. Paul Oxer served as Chair, and Barbara Deane served as secretary.

- 1) The Board adopted the Consent Agenda as presented with four votes in favor and zero votes opposed.
- 2) Agenda Item 2 – TDHCA Chief of Compliance, Patricia Murphy, shared with the Board the results from Compliance Division Customer Service Surveys. The Board took no action.
- 3) Agenda Item 3(a) – Presentation, Discussion, and Possible Action Regarding the Issuance of Multifamily Housing Revenue Bonds with TDHCA as the Issuer, Resolution #14-013 and a Determination Notice of Housing Tax Credits for Patriot’s Crossing Apartments – was presented by Teresa Morales, TDHCA’s Multifamily Division Manager. TDHCA Executive Director Tim Irvine provided additional information. The item was adopted after public comment (summarized below) with four votes in favor and zero votes opposed.
 - Claire Palmer, consultant for the developer of Patriot’s Crossing Apartments, asked for clarification on the recommendation being considered by the Board and offered a suggestion for particular language in the recommendation.
 - Jason Arechiga, representing the NRP Group and the Texas Association of Local Housing Finance Agencies (“TALHFA”), testified in support of staff’s recommendation.
 - Michael Lyttle, TDHCA Chief of External Affairs, read a letter into the record from Dallas Mayor Michael Rawlings which provided information on the city’s Grow South initiative.
- 4) At 10:36 a.m. the Board went into Executive Session and reconvened in open session at 11:43 a.m. No action was taken in or as a result of Executive Session.

Except as noted otherwise, all materials presented to and reports made to the Board were approved, adopted, and accepted. These minutes constitute a summary of actions taken. The full transcript of the meeting, reflecting who made motions, offered seconds, etc., questions and responses, and details of comments, is retained by TDHCA as an official record of the meeting.

There being no further business to come before the Board, the meeting adjourned at 11:45 a.m. The next meeting is set for Thursday, March 6, 2014.

Secretary

Approved:

Chair

1b

BOARD ACTION REQUEST

FINANCIAL ADMINISTRATION DIVISION

APRIL 10, 2014

Presentation, Discussion, and Possible Action superseding Resolution No. 13-012 by the adoption of Resolution No. 14-018, Designating Signature Authority.

RECOMMENDED ACTION

WHEREAS, the Governing Board has now determined that Resolution No. 13-012, designating signature authority, should be updated by the adoption of superseding Resolution No. 14-018 in order to conform to the Department's current organizational structure and operations;

NOW, therefore, it is hereby

RESOLVED, that Resolution No. 14-018, Designating Signature Authority for new signature designees is adopted in the form presented to this meeting.

BACKGROUND

The Texas Department of Housing and Community Affairs (the "Department"), a public and official governmental agency of the State of Texas (the "State") was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended. The Act authorizes the Department: (a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and finance, participating interests therein, secured by mortgages on residential housing in the State; (b) to issue its bonds, for the purpose of, among other things, obtaining funds to acquire or finance such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans of participating interests, and to mortgage, pledge or grant security interests in such mortgages of participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds.

This Resolution updates and designates signature authority to reflect the current structure of the Department.

**Texas Department of Housing and Community Affairs
RESOLUTION OF THE BOARD OF DIRECTORS**

**SUPERSEDING RESOLUTION NO. 13-012
AND ADOPTING NEW RESOLUTION NO. 14-018**

DESIGNATING SIGNATURE AUTHORITY

WHEREAS, the Texas Department of Housing and Community Affairs (the “Department”), a public and official governmental agency of the State of Texas, was created and organized pursuant to and in accordance with the provisions of Texas Government Code, Chapter 2306, as amended; and

WHEREAS, the Act authorizes the Department:

(a) to make and acquire and finance, and to enter into advance commitments to make and acquire and finance, mortgage loans and finance, participating interests therein, secured by mortgages on residential housing in the State of Texas (the “State”); and

(b) to issue its bonds, for the purpose of, among other things, obtaining funds to acquire or finance such mortgage loans, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and

(c) to pledge all or any part of the revenues receipts or resources of the Department, including the revenues and receipts to be received by the Department from such single family mortgage loans of participating interests, and to mortgage, pledge or grant security interests in such mortgages of participating interests, mortgage loans or other property of the Department, to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, on December 13, 2012, the Governing Board adopted Resolution No. 13-012, designating signature authority to reflect the structure of the Department; and

WHEREAS, the Governing Board has now determined that Resolution No. 13-012, designating signature authority, should be superseded by a new Resolution No. 14-018 designating signature authority in order to conform to the Department’s current organizational structure and operations;

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

SECTION 1 – Supersession of Prior Signature Authority. The Governing Board hereby supersedes Resolution No. 13-012 by enacting new Resolution No. 14-018.

SECTION 2 – Designation of Signature Authority for Bond Transactions. The Governing Board hereby authorizes and designates the Chairman or Vice Chairman of the Board, the Board Secretary, the Assistant Board Secretary, the Executive Director or the Acting Executive Director, the Deputy Executive Director for Single Family, Community Affairs & Metrics, the Deputy Executive Director of Multifamily Finance and Fair Housing, the Deputy Executive Director of Asset Analysis and Management, the Chief Financial Officer, the Director of Bond Finance, the Director of Texas Homeownership and the Director of Multifamily Finance and each of them as signatories for single family and multifamily bond transactions including, but not limited to letters of instruction, officer's certificates, bond transactional documents and all other documents and certificates executed in connection with such bond transactions.

SECTION 3 – Designation of Signatory Authority for Real Estate Transactions. The Governing Board hereby authorizes and designates the following persons to execute and deliver, as specified earnest money contracts, deeds or conveyances of title, leases of real property, settlement statements on purchase or sale of real property, deposits and disbursements on agency bank accounts, real estate transactional documents and all other documents executed in connection with real estate or real estate-related transactions:

- (a) Executive Director or Acting Executive Director, Chief Financial Officer, Board Secretary, and Assistant Board Secretary: All real estate or real estate related transactions;
- (b) Deputy Executive Director for Single Family, Community Affairs & Metrics or the Assistant Deputy Director for Network & Customer Service: All real estate or real estate-related transactions administered under any of the Single Family Programs and Community Affairs areas;
- (c) Deputy Executive Director of Asset Analysis and Management: All real estate or real estate-related transactions administered under any of the Real Estate Analysis, Asset Management, or Program Services sections;
- (d) Deputy Executive Director of Multifamily Finance and Fair Housing: All real estate or real estate-related transactions administered by the Multifamily program;
- (e) Director of Asset Management: All real estate or real estate-related transactions administered by the Asset Management program;
- (f) Director of Multifamily Finance: All real estate or real estate-related transactions administered by the Multifamily program;
- (g) Director of Bond Finance: All real estate or real estate-related transactions administered by the Bond Finance Division;
- (h) Director of Texas Home Ownership: All real estate or real estate-related transactions administered by the Texas Home Ownership Division;

- (i) Director of the HOME Program: All real estate or real estate-related transactions administered under the HOME Single Family Division;
- (j) Director of Program Services: All real estate or real estate-related transactions administered by the Program Services;
- (k) Director of the Housing Trust Fund and the Office of Colonia Initiatives: All real estate or real-estate related transactions administered under the Housing Trust Fund and Office of Colonia Initiatives Division;
- (l) Director of the Neighborhood Stabilization Program: All real estate or real-estate related transactions administered by the Neighborhood Stabilization Program Division; and
- (m) Signatory authority on deposits and disbursements on agency bank accounts is limited to those persons designated on the applicable signature cards, as specified by the Executive Director or Acting Executive Director; provided however, that no person may be so designated other than the Executive Director or Acting Executive Director, Chief Financial Officer, a Deputy Executive Director, or a Director.

SECTION 4 – Designation of Signatory Authority for Fund Transfers. The Governing Board hereby authorizes and designates the following persons to execute and deliver any necessary fund transfer documents, including letters of instruction, in the manner prescribed below.

Fund transfers require dual signatures, consisting of one signatory from each of the following two groups:

- (a) Chief Financial Officer or Manager of Financial Services; and
- (b) Executive Director or Acting Executive Director or any Deputy Executive Director whose duties do not include management or oversight of the funds that are subject of the transfer.

SECTION 5 – Execution of Documents. The Governing Board hereby authorizes the Executive Director or, in the absence of the Executive Director, or Acting Executive Director, Chief Financial Officer or a Deputy Executive Director, to execute, on behalf of the Department, any and all documents, instruments reasonably deemed necessary to effectuate this Resolution.

SECTION 6 – Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

1c

BOARD ACTION REQUEST
OFFICE OF COLONIA INITIATIVES
APRIL 10, 2014

Presentation, Discussion, and Possible Action on proposed amendments to 10 TAC Chapter 25 relating to the Colonia Self-Help Center Program and directing its publication for public comment in the *Texas Register*.

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §2306.053, the Department is authorized to adopt rules governing the administration of the Department and its programs; and

WHEREAS, proposed amendments to 10 TAC Chapter 25, Colonia Self-Help Center Program Rule, §§25.1 – 25.9 provide clarification and changes to program requirements to increase beneficiary participation; increase funds leveraging to maximize program funds and expenditures; and align program rules with the Single Family Programs Umbrella Rule (10 TAC Chapter 20);

NOW, therefore, it is hereby

RESOLVED, that the proposed amendments 10 TAC Chapter 25 relating to the Colonia Self-Help Center Program, are hereby approved for publication for public comment, together with the preamble presented to this meeting, and that the Executive Director and his designees be and each of them is hereby authorized, empowered and directed, for and on behalf of the Department, to cause the proposed rule, in the form presented to this meeting, to be published in the *Texas Register* for public comment and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

The purpose of amending the Colonia Self-Help Center Program Rule is to provide clarifications to certain program requirements. Operational or procedural revisions, details of revisions, formatting adjustments, and streamlining are not summarized in this board action request; however, they are reflected in the attached rules.

The following are changes proposed to the Colonia Self-Help Center Program Rule at 10 TAC Chapter 25:

§25.2 **Definitions:** clarified or added definitions for Direct Delivery, Public Service Activities, and Small Repair.

§25.3 **Eligible and Ineligible Activities:** Inserts language to clarify usage of Colonia Self Help Center funds for income eligible families; clarifies instances of overcrowding conditions; and prompts coordination with the Single Family Umbrella Rule.

§25.5 **Allocation and the Colonia Self-Help Center Application Requirements:** deletes the requirements for a county judge signature on particular forms; makes amendments relating to contract requirements, particularly in relation to awardee responsibility; revises the public service requirement; and adds per unit funding caps for construction activities.

§25.7 **Colonia Self-Help Center Contract Operation and Implementation:** deletes solicitation requirements for the Self-Help Center provider; establishes expenditure and performance benchmarks to assist with the new federal reporting requirements; deletes language relating to inspection reimbursement since information is now captured in the Single Family Programs Umbrella Rule; adds inspection requirements for Small Repair activities; deletes language relating to cosmetic finishes; requires Forgivable Loans for construction when assistance per household exceeds \$20,000 or more with an enforceable lien for five years, identifying the Department as a lien holder; and requires the purchase of tools and new computer equipment within the first 24 months instead of 36 months of a four-year contract.

§25.9 **Expenditure Thresholds and Closeout Requirements:** increases the expenditure threshold from 18 to 20 months.

Attachment 1: Preamble and proposed amendments to 10 TAC Chapter 25

The Texas Department of Housing and Community Affairs (the “Department”) proposes amendments to 10 TAC Chapter 25, §§25.1 – 25.9, relating to the **Colonia Self-Help Center Program**. The purpose of the proposed amendments are to provide clarifications and changes to program requirements to increase beneficiary participation and fund leveraging to maximize program funds and expenditures. The amendment also align the program rules with the Single Family Program Umbrella Rules.

§25.2 **Definitions:** clarified or added definitions for Direct Delivery, Public Service Activities, and Small Repair.

§25.3 **Eligible and Ineligible Activities:** Inserts language to clarify usage of Colonia Self Help Center funds for income eligible families; clarifies instances of overcrowding conditions; and prompts coordination with the Single Family Umbrella Rule.

§25.5 **Allocation and the Colonia Self-Help Center Application Requirements:** deletes the requirements for a county judge signature on particular forms; makes amendments relating to contract requirements, particularly in relation to awardee responsibility; revises the public service requirement; and adds per unit funding caps for construction activities.

§25.7 **Colonia Self-Help Center Contract Operation and Implementation:** deletes solicitation requirements for the Self-Help Center provider; establishes expenditure and performance benchmarks to assist with the new federal reporting requirements; deletes language relating to inspection reimbursement since information is now captured in the Single Family Programs Umbrella Rule; adds inspection requirements for Small Repair activities; deletes language relating to cosmetic finishes; requires Forgivable Loans for construction when assistance per household exceeds \$20,000 or more with an enforceable lien for five years, identifying the Department as a lien holder; and requires the purchase of tools and new computer equipment within the first 24 months instead of 36 months of a four-year contract.

§25.9 **Expenditure Thresholds and Closeout Requirements:** increases the expenditure threshold from 18 to 20 months.

FISCAL NOTE. Timothy K. Irvine, Executive Director, has determined that, for each year of the first five years the amendments will be in effect, enforcing or administering the amendments does not have any foreseeable implications related to costs or revenues of the state or local governments.

PUBLIC BENEFIT/COST NOTE. Mr. Irvine also has determined that, for each year of the first five years the amendment will be in effect, the public benefit anticipated as a result of the amendments will be to improve the clarity of program requirements and provide accurate cross-references. There will be no economic cost to any individuals required to comply with the amendment.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES. The Department has determined that there will be no economic effect on small or micro-businesses.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held from April 25, 2014, to May 26, 2014, to receive input on the amendments. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Homero Cabello, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, fax to (512) 475-1162 or by email to Homero Cabello at the following address: homero.cabello@tdhca.state.tx.us. ALL COMMENTS MUST BE RECEIVED BY 5P.M, May 26, 2014.

STATUTORY AUTHORITY. The amendments are proposed pursuant to Texas Government Code, §2306.053, which authorizes the Department to adopt rules. Additionally, the amendments are proposed pursuant to Texas Government Code, Chapter 2306, Subchapter Z, which specifically authorizes the Department to administer the Colonia Self-Help Center Program. The proposed amendments affect no other code, article, or statute.

TITLE 10 COMMUNITY DEVELOPMENT
PART 1 TEXAS DEPARTMENT OF HOUSING AND
 COMMUNITY AFFAIRS
CHAPTER 25 COLONIA SELF-HELP CENTER PROGRAM RULE
RULE §25.1 **Purpose and Services**

The purpose of this ~~chapter~~Chapter is to establish the requirements governing the Colonia Self-Help Centers, created pursuant to Texas Government Code, Chapter 2306, Subchapter Z, and Chapter 20 of this title (relating to Single Family Programs Umbrella Rule) and its funding including the use and administration of all funds provided to the Texas Department of Housing and Community Affairs (the "Department") by the legislature of the annual Texas Community Development Block Grant allocation from the U.S. Department of Housing and Urban Development ("HUD"). Colonia Self-Help Centers are designed to assist individuals and families of low-income and very low-income to finance, refinance, construct, improve, or maintain a safe, suitable home in the ~~colonia~~designated Colonia service areas or in another area the Department has determined is suitable.

RULE §25.2 **Definitions**

The following words and terms, when used in this ~~chapter~~Chapter, shall have the following meanings unless the context or the Notice of Funding Availability (NOFA) indicates otherwise. Other definitions may be found in Texas Government Code, Chapter 2306~~;~~; Chapter 1 of this title (relating to Administration)~~;~~; and Chapter 20 of this title (relating to Single Family Programs Umbrella Rule). Common definitions used under the Community Development Block Grant (CDBG) Program are incorporated herein by reference.

(1) Beneficiary--A person or family benefiting from the ~~activities~~Activities of a Colonia Self-Help Center Contract.

(2) Colonia Residents Advisory Committee (CRAC)--Advises the Department's Governing Board and evaluates the needs of ~~colonia~~Colonia residents, reviews programs and ~~activities~~Activities that are proposed or operated through the Colonia Self-Help Centers to better serve the needs of ~~colonia~~Colonia residents.

(3) Colonia Self-Help Center Provider--An organization with which the ~~Contract Administrator~~Administrator has an executed Contract to administer Colonia Self-Help Center ~~activities~~Activities.

(4) Community Action Agency--A political subdivision, combination of political subdivisions, or nonprofit organization that qualifies as an eligible entity under 42 U.S.C. §9902.

(5) Contract Budget--An exhibit in the Contract which specifies in detail the Contract funds by budget category, which is used in the drawdown processes. The budget also includes all other funds involved that are necessary to complete the Performance Statement specifics of the Contract.

(6) Direct Delivery Costs--Soft costs related to and identified with a specific housing unit ~~or public service, other than construction costs.~~ Eligible Direct Delivery Costs include:

(A) Preparation of work write-ups, work specifications, and cost estimates;

(B) Legal fees, recording fees, architectural, engineering, or professional services required to prepare plans, drawings or specifications directly attributable to a particular housing unit ~~or public service;~~

(C) ~~H~~home inspections, inspections for lead-based paint, asbestos, termites, and interim inspections; and

(D) ~~O~~ther costs as approved in writing by the Department.

(7) Implementation Manual--A set of guidelines designed to be an implementation tool for the Administrator and Colonia Self-Help Center Providers that have been awarded Community Development Block Grant Funds and allows the Administrator to search for terms, regulations, procedures, forms and attachments.

(8) Income Eligible Families--

(A) Low-income families--families whose annual incomes do not exceed 80 percent of the median income of the area as determined by HUD Section 8 income limits and published by the Department, with adjustments adjusted for family size;

(B) Very low-income families--families whose annual incomes do not exceed 60 percent of the median family income for the area, as determined by HUD Section 8 income limits and published by the Department, with adjustments adjusted for family size; and

(C) Extremely low-income families--families whose annual incomes do not exceed 30 percent of the median family income for the area, as determined by HUD Section 8 income limits and published by the Department, with adjustments adjusted for family size.

(9) New Construction-- A housing unit that is built on a previously vacant lot that will be occupied by a Income Eligible Families ~~low to moderate income colonia resident~~.

(10) Performance Statement--An exhibit in the Contract which specifies in detail the scope of work to be performed.

(11) Public Service Activities-- Activities other than New Construction, Reconstruction, Rehabilitation and Small Repair activities that are provided by a Colonia Self Help Center to benefit Colonia residents. These include, but are not limited to, construction skills classes, solid waste removal, tool lending library, technology classes, home ownership classes and technology access.

(12) Small Repairs-- minor repairs such as, but not limited to, addressing deficiencies, roof repairs, removal of threats to health and safety, including lead-based paint hazards and removal of barriers for Persons with Disabilities.

(13) Unit of General Local Government (UGLG)--A city, town, county, or other general purpose political subdivision of the state; a consortium of such subdivisions recognized by HUD in accordance with 24 CFR §92.101 and any agency or instrumentality thereof that is established pursuant to legislation and designated by the chief executive to act on behalf of the jurisdiction. A county is considered a unit of general local government under the Colonia Self-Help Center Program.

RULE §25.3 Eligible and Ineligible Activities

(a) A Colonia Self-Help Center may only serve ~~individuals and families of low income and very~~

~~low-income~~ Income Eligible Families in the targeted Colonias by:

- (1) ~~p~~Providing assistance in obtaining ~~loan~~Loans or ~~grant~~Grants to build, ~~rehabilitate~~Rehabilitate, repair or ~~reconstruct~~Reconstruct a home;
 - (2) Teaching construction skills necessary to repair or build a home;
 - (3) ~~p~~Providing model home plans;
 - (4) ~~e~~Operating a program to rent or provide tools for home construction and improvement for the benefit of property owners in ~~eolonia~~Colonias who are building or repairing a residence or installing necessary residential infrastructure;
 - (5) ~~h~~hAssisting ~~g~~elping to obtain, construct, access, or improve the service and utility infrastructure designed to service residences in a ~~eolonia~~Colonia, including potable water, wastewater disposal, drainage, streets, and utilities;
 - (6) Surveying or platting residential property that an individual purchased without the benefit of a legal survey, plat, or record;
 - (7) ~~p~~Providing credit and debt counseling related to home purchase and finance;
 - (8) Applying for ~~grant~~Grants and ~~loan~~Loans to provide housing and other needed community improvements;
 - (9) Providing other services that the Colonia Self-Help Center, with the approval of the Department, determines are necessary to assist ~~eolonia~~Colonia residents in improving their physical living conditions, including help in obtaining suitable alternative housing outside of a ~~eolonia~~Colonia's area to alleviate overcrowding conditions;
 - (10) ~~p~~Providing assistance in obtaining ~~loan~~Loans or ~~grant~~Grants to enable an individual or a family to acquire fee simple title to property that originally was purchased under a ~~contract~~Contract for a ~~deed~~Deed, contract for sale, or other executory contract;
 - (11) Providing access to computers, the internet and computer training pursuant to the General Appropriations Act; and
 - (12) Providing monthly programs to educate individuals and families on their rights and responsibilities as property owners.
- (b) Through a Colonia Self-Help Center, a ~~eolonia~~Colonia resident may apply for any direct ~~loan~~Loan or ~~grant~~Grant program operated by the Department.
- (c) Ineligible ~~activities~~Activities. Any type of ~~activity~~Activity not allowed by the Housing and Community Development Act of 1974 (42 U.S.C. §§5301, et seq.) is ineligible for funding.
- (d) A Colonia Self-Help Center may not provide ~~grant~~Grants, financing, or ~~mortgage~~Mortgage ~~loan~~Loan services to purchase, build, ~~rehabilitate~~Rehabilitate, or finance construction or improvements to a home in a ~~eolonia~~Colonia if water service and suitable wastewater disposal are not available.
- ~~(e) Chapter 20 of this title (relating to Single Family Programs Umbrella Rule) will apply to all Single Family activities authorized under the Colonia Self Help Center Program., including Single Family development involving rental or ownership.~~

RULE §25.4 Colonia Self-Help Centers Establishment

(a) Pursuant to Texas Government Code, §2306.582, the Department has established Colonia Self-Help Centers in El Paso, Hidalgo, Starr, Webb, Cameron (also serves Willacy), Maverick, and Val Verde Counties.

(b) The Department ~~shall designate~~has designated:

- (1) ~~A~~ appropriate staff in the Department to act as liaison to the Colonia Self-Help Centers to assist the centers in obtaining funding to enable the centers to carry out the center's ~~program~~ Programs;
 - (2) ~~F~~ five (5) ~~colonia~~ Colonias in each service area to receive concentrated attention from the Colonia Self-Help Centers in consultation with the ~~CRA~~ C-RAC and the appropriate unit of local government; and
 - (3) ~~A~~ a geographic area for the services provided by each Colonia Self-Help Center.
- (c) The Department shall make a reasonable effort to secure:
- (1) ~~e~~ Contributions, services, facilities, or operating support from the county commissioner's court of the county in which a Colonia Self-Help Centers is located which it serves to support the operation of that Colonia Self-Help Center; and
 - (2) ~~A~~ an adequate level of funding to provide each Colonia Self-Help Center with funds for low interest ~~mortgage~~ Mortgage financing, ~~grant~~ Grants for ~~self-help programs~~ Self-Help Programs, revolving loan fund for septic tanks, a tool lending program, and other ~~activities~~ Activities the Department determines are necessary.
- (d) The El Paso Colonia Self-Help Center shall establish a technology center to provide internet access to ~~colonia~~ Colonia residents pursuant to the General Appropriations Act for the appropriate biennium.

RULE §25.5 Allocation and the Colonia Self-Help Center Application Requirements

- (a) The Department distributes Colonia Self-Help Center funds to Unit of General Local Governments (UGLGs) from the 2.5 percent set-aside of the annual Community Development Block Grant (CDBG) allocation to the state of Texas.
- (b) The Department shall allocate no more than \$1 million per Colonia Self-Help Center award except as provided by this ~~chapter~~ Chapter. If there are insufficient funds available from any specific program year to fully fund an Application, the awarded ~~Contract~~ Administrator may accept the amount available at that time and wait for the remaining funds to be committed upon the Department's receipt of the CDBG set-aside allocation from the next program year.
- (c) With a baseline award beginning at \$500,000, the Department will add an additional \$100,000 for each expenditure threshold, as defined in §25.9 of this ~~chapter~~ Chapter (relating to Expenditure Thresholds and Closeout Requirements), met on the current Colonia Self-Help Center Contract, and an additional \$100,000 for an accepted Application submitted by the deadline. If an ~~Contract~~ Administrator can demonstrate that any violation of an Expenditure Threshold was beyond the control of the ~~Contract~~ Administrator, it may request of the Board that an individual violation be waived for the purpose of future funding. The Board, in its discretion and within the limits of federal and state law, may waive any one or more of the expenditure threshold requirements if the Board finds the waiver is appropriate to fulfill the purposes or policies of the Texas Government Code, or for other good cause as determined by the Board.
- (d) The ~~Contract~~ Administrator shall submit its Application no later than three (3) months before the expiration of its current Contract, or when ninety (90) percent of the funds under the current Contract have been expended, whichever comes first. If this requirement is not met, the Department will apply the options outlined in subsection (c) of this section which will result in lost and delayed funding.
- (e) Application reviews are conducted on a first-come first-served basis until all Colonia Self-

Help Center funds for the current program year and deobligated Colonia Self-Help Center funds are committed. Each complete Application will be assigned a "received date" based on the date and time it is received by the Department.

(f) In order to be accepted, each Application must include:

(1) Evidence of the submission of the Contract Administrator's current annual single audit;
(2) A ~~Colonia~~ Identification-identification form for each ~~eolonia~~Colonia to be served, including all required back-up documentation as identified on the form, ~~executed by the county judge;~~

(3) A boundary map for each of the five ~~eolonia~~Colonias;

(4) A description of the method of implementation. For each ~~eolonia~~Colonia to be served by the Colonia Self-Help Center, the ~~Contract~~-Administrator shall describe the services and ~~activities~~Activities to be delivered.;

~~The Application must identify:~~

~~—(A) A minimum of fifteen (15) percent of the Contracted Budget be utilized for Self-Help Activities the percentage (15 percent minimum) and scope of work that will be performed using self help methodologies;~~

~~(B) the estimated percentage or services that will be contracted to the Colonia Self-Help Center Provider; and~~

~~(C) the activities that the Contract Administrator will be administering;~~

~~(5) T~~he proposed ~~performance statement~~Performance Statement. ~~The Contract Administrator Administrator~~ must include the number of ~~eolonia~~Colonia residents to be assisted from each ~~activity~~Activity, the ~~activities~~ Activities to be performed (including all sub-~~activities~~Activities under each budget line item), and the corresponding budget;

(6) The proposed Contract Budget must ~~address~~adhere to the following limitations:

(A) The Administration line item may not exceed fifteen (15) percent ~~of the total budget;~~

(B) Eight (Eight (8)) percent must be used for the Public Service Activities~~line item may not exceed 7.5 percent of the total budget;~~

(C) The Application must identify at least A minimum of fifteen (15) percent ~~of the budget that will~~ must be allocated for direct Self-Help Activities;

(D) the amount of leveraged funding, if applicable; and Colonia Self-Help Center Program funds cannot exceed the following amounts per unit, however, additional funds from other sources can be leveraged with these funds;

(i) \$10,000- Small Repairs

(ii) \$40,000 Rehabilitation

(iii) \$50,000 Reconstruction and/or New Construction

(E) Direct Delivery Costs for all New Ceonstruction and Reconstruction ~~contractual activities~~Activities, ~~exclusive of Rehabilitation,~~ cannot exceed ten (10) percent of each budget line item~~project cost~~ per unit provided by the Colonia Self-Help Center Program. ~~Direct Delivery Costs for~~ Rehabilitating Rehabilitation, including Small Repair, are limited to fifteen (15) percent of each project cost~~per unit provided by the Colonia Self-Help Center Program~~ budget line item;

(7) ~~p~~Proposed housing assistance guidelines (includes ~~small repair~~Small Repair, Rehabilitation, Reconstruction, or New Construction ~~and all other housing activities~~);

(8) Evidence of model subdivision rules adopted by the ~~Contract Administrator;~~ County;

(9) Written policies and procedures, as applicable, for:

- (A) ~~S~~olid waste removal;
 - (B) ~~C~~onstruction skill classes;
 - (C) ~~H~~omeownership classes;
 - (D) ~~T~~echnology access;
 - (E) ~~H~~omeownership assistance; and/or
 - (F) ~~T~~ool lending library. All Colonia Self-Help Centers are required to operate a tool lending library;
 - (10) ~~A~~uthorized signatory form and direct deposit authorization;
 - (11) UGLG resolution authorizing the submission of the Application and appointing the primary signator for all Contract documents;
 - (12) ~~A~~acquisition report (even if there is no acquisition activity);
 - (13) ~~C~~ertification of exemption for HUD funded projects; and
 - (14) ~~I~~nitial disclosure report.
- (g) Upon receipt of the Application, the Department will perform an initial review to determine whether the Application is complete and that each ~~activity~~Activity meets a national objective as required by §104(b)(3) of the Housing and Community Development Act of 1974 (42 U.S.C. §5304(b)(3)).
- (h) The Department may reduce the funding amount requested in the Application in accordance to subsection (c) of this section. Should this occur, the Department shall notify the appropriate ~~Contract~~ Administrator before the Application is submitted to ~~C-RAC-C-RAC~~ for review, comments and approval. The Department and the ~~Contract~~ Administrator will work together to jointly agree on the performance measures and proposed funding amounts for each ~~activity~~Activity.
- (i) The Department shall execute a four (4) year Contract with ~~the~~ Contract Administrator. No Contract extensions will be allowed. If the ~~Contract~~ Administrator requirements are completed prior to the end of the four (4) year ~~contract~~Contract period, the ~~Contract~~ Administrator may submit a new Application.
- (j) The Department may decline to fund any Application if the ~~activities~~Activities do not, in the Department's sole determination, represent a prudent use of Colonia Self-Help Center funds. The Department is not obligated to proceed with any action pertaining to any Application which is received, and may decide it is in the Department's best interest to refrain from pursuing any selection process.

RULE §25.6 Colonia Residents Advisory Committee Duties and Award of Contracts

- (a) The Board shall appoint not fewer than five (5) persons who are residents of ~~colonia~~Colonias to serve on the ~~CRAC-C-RAC~~. The members of the ~~CRAC-C-RAC~~ shall be selected from lists of candidates submitted to the Department by local nonprofit organizations and the commissioner's court of a county in which a Colonia Self-Help Center is located.
- (b) The ~~CRAC-C-RAC~~ members' terms will expire every four (4) years. ~~CRAC-C-RAC~~ members may be reappointed by the Board; however, the Board shall review and approve all members at least every four (4) years.
- (c) The Board shall appoint one committee member to represent each of the counties in which a Colonia Self-Help Center is located. Each committee member:

- (1) ~~M~~ must be a resident of a ~~colonia~~ Colonia in the county the member represents; and
- (2) ~~M~~ may not be a board member, contractor, or employee of the Administrator or have any ownership interest in an entity that is awarded a Contract under this ~~chapter~~ Chapter and cannot be in default on any Department obligation.
- (3) The Department will conduct a ~~compliance check~~ previous participation review on all members.
- (d) The Department may also select to have an alternate member from the list for each county in the event that the primary member is unable to attend meetings.
- (e) The ~~Colonia Resident Advisory Committee~~ C-RAC shall advise the Board regarding:
 - (1) ~~T~~ the housing needs of ~~colonia~~ Colonia residents;
 - (2) ~~A~~ appropriate and effective programs that are proposed or are operated through the Colonia Self-Help Centers; and
 - (3) ~~activities~~ Activities that might be undertaken through the Colonia Self-Help Centers to serve the needs of ~~colonia~~ Colonia residents.
- ~~f~~ The C-RAC shall advise the Colonia initiatives coordinator as provided by Texas Government Code, §775.005.
- ~~g~~ Award of Contracts.
 - (1) Upon reaching an ~~agreement~~ Agreement with the ~~Contract~~ Administrator, the Department will set the date for the ~~CRAC~~ C-RAC meeting. The ~~CRAC~~ C-RAC shall meet before the 30th calendar day proceeding the date on which a ~~contract~~ Contract is scheduled to be awarded by the Board for the operation of a Colonia Self-Help Center and may meet at other times.
 - (2) The ~~Contract Administrator~~ Administrator shall be present at the ~~CRAC~~ C-RAC if its Application is being considered to answer questions that ~~CRAC~~ C-RAC may have.
 - (3) After the ~~CRAC~~ C-RAC makes a recommendation on an Application, the recommendation will undergo the Department's award process.
- ~~h~~ Reimbursement of ~~CRAC~~ C-RAC members for their reasonable travel expenses in the manner provided by §25.8(1) of this ~~chapter~~ Chapter (relating to Administrative Thresholds) is allowable and shall be paid by the Contract Administrator.

RULE §25.7 Colonia Self-Help Center Contract Operation and Implementation

- (a) The Department shall contract with a UGLG for the operation of a Colonia Self-Help Center. The UGLG shall subcontract with a local nonprofit organization, local community action agency, or local housing authority that has demonstrated the ability to carry out all or part of the functions of a Colonia Self-Help Center. ~~The contracted Colonia Self-Help Center provider selected by the UGLG shall have the capacity to administer and manage financial resources and~~

~~provided documentation and auditable programmatic compliance, as evidenced by previous experience as described in paragraphs (1)–(7) of this subsection:~~

- ~~–(1) implementation of a CDBG contract;~~
- ~~–(2) affordable housing, including new construction; and housing rehabilitation, reconstruction, small repair; and experience in homebuyer and down payment assistance programs;~~
- ~~–(3) grantsmanship, project planning and development in housing and infrastructure, and project management;~~
- ~~–(4) home ownership counseling, home loan processing and coordinating with private financial institutions;~~
- ~~–(5) property development, including experience in processes related to surveying, platting, and recording of property records;~~
- ~~–(6) self help programs related to housing or infrastructure, including operation of a tool library; and~~
- ~~–(7) managing state/federally funded projects or projects funded under private foundations and not have major outstanding monitoring or audit issues.~~

(b) Upon award of Colonia Self-Help Center funds by the Board, the Department shall deliver a Contract based on the scope of work to be performed within thirty (30) days of the award date, unless extenuating circumstances do not allow for delivery. Any ~~activity~~Activity funded under the Colonia Self-Help Center Program will be governed by a written Contract that identifies the terms and conditions related to the awarded funds. The Contract will not be effective until executed by all parties to the Contract.

(c) ~~Contractors-Administrators~~ are required to complete their environmental reviews in accordance with 24 CFR Part 58 and receive the Authority to Use Grant Funds from the Department before:

(1) ~~A~~any commitment of Community Development Block Grant (CDBG) funds (i.e., execution of a legally binding ~~agreement~~Agreement and expenditure of CDBG funds) for ~~activities~~Activities other than those that are specifically exempt from environmental review.

(2) ~~A~~any commitment of non-CDBG funds associated with the scope of work in the Contract that would have an adverse environmental impact (i.e., demolition, excavating, etc.) or limit the choice of alternatives (i.e., acquisition of real property, ~~rehabilitation~~Rehabilitation of buildings or structures, etc.).

(d) Request for Payments. The ~~Contract~~-Administrator shall submit a properly completed request for reimbursement, as specified by the Department, at a minimum on a quarterly basis; however the Department reserves the right to request more frequent reimbursement requests as it deems appropriate. The Department shall determine the reasonableness of each amount requested and shall not make disbursement of any such payment request until the Department has reviewed and approved such request. Payments under the Contract are contingent upon the ~~Contract~~ Administrator's full and satisfactory performance of its obligations under the Contract.

(1) \$2,500 is the minimum amount for a ~~draw~~Draw to be processed, unless it is the final ~~draw~~Draw request. If an Administrator fails to submit a draw within twelve (12) consecutive months the eContract will be subject to termination for failure to meet the Contract obligations.

(2) Draw requests will be reviewed to comply with all applicable laws, rules and regulations. The ~~Contract~~ Administrator is responsible for maintaining a complete record of all costs incurred in carrying out the ~~activities~~Activities of the Contract.

(3) Draw requests for all housing ~~activities~~Activities will only be reimbursed upon satisfactory completion of types of ~~activities~~Activities (i.e., all plumbing completed, entire roof is completed,

etc.), consistent with the construction contract.

(4) The ~~Contract~~ Administrator will be the principal contact responsible for reporting to the Department and submitting ~~draw~~ Draw requests.

(e) Reporting. The ~~Contract~~ Administrator shall submit to the Department reports on the operation and performance of the Contract on forms as prescribed by the Department. Quarterly Reports shall be due no later than the tenth (10th) calendar day of the month after the end of each calendar quarter. The ~~Contract~~ Administrator shall maintain and submit to the Department up-to-date accomplishments in quarterly reports identifying quantity and cumulative data including the expended funds, ~~activities~~ Activities completed and total number of Beneficiaries. If an Administrator fails to submit Activity data within twenty-four (24) consecutive months, the Contract will be subject to termination for failure to meet the Contract obligations.

(f) The Department will only reimburse ~~for two inspection reports for housing rehabilitation and reconstruction, and one~~ (1) initial inspection report per unit for ~~new construction and small home repair~~ Small Repair.

~~(g) Cosmetic issues such as paint, wall texture, etc. identified as deficiencies on final inspection reports will not be required to be corrected if self-help construction is utilized.~~

(h) Amendments. The Department's executive director or its designee, may authorize, execute, and deliver amendments to any Contract.

(1) Contract Time Extensions beyond the four (4) year ~~contract~~ Contract period will not be allowed for Colonia Self-Help Center ~~contracts~~ Contracts.

(2) Changes in beneficiaries. Reductions in contractual deliverables and beneficiaries shall require a ~~contract~~ Contract amendment. Increases in contractual deliverables and beneficiaries that do not shift funds, or cumulatively shift less than ten (10) percent of total ~~contract~~ Contract funds, shall be completed through a ~~contract~~ Contract modification, ~~rather than a contract amendment.~~

(3) The Department, at its discretion and in coordination with an ~~Contract~~ Administrator, may increase a ~~contract~~ Contract ~~budget~~ Budget amount and the number of ~~activities~~ Activities and beneficiaries based on the availability of Colonia Self-Help Center funds, the exemplary performance in the implementation of ~~aan~~ ~~Contract~~ Administrator's current ~~contract~~ Contract, and the time available in the four (4) year ~~contract~~ Contract period. Upon Board approval, the cap on the maximum ~~contract~~ Contract amount may be exceeded if the terms of this paragraph are met by ~~a the~~ ~~Contract~~ Administrator.

(i) Every ~~new~~ New ~~e~~ Construction and ~~reconstruction~~ Reconstruction, and ~~any or~~ ~~rehabilitation~~ Rehabilitation ~~construction costs~~ Activity exceeding \$~~30,000~~ ~~20,000~~ per unit that is provided by the Colonia Self-Help Center Program in hard costs shall have a recorded and enforceable lien placed on the property secured by a deferred ~~forgivable loan~~ Forgivable Loan not shorter than five (5) years. The Department will be a lien holder.

(j) The ~~Contract~~ Administrator's initial and any revised housing activity guidelines shall be approved by commissioners' court and the Department prior to implementation.

(k) Access to all ~~public service~~ Public Service ~~activities~~ Activities identified in the

~~contract~~Contract shall be provided at least two (2) Saturdays a month during hours preferable to ~~colonia~~Colonia residents. In addition, access shall be provided at least one day during the work ~~week~~ after hours for a period long enough to allow ~~colonia~~Colonia residents to utilize the services.

(~~k~~) The purchase of new tools, new computers and computer equipment shall only occur within the first ~~thirty-six~~twenty-four (~~36~~24) months of the ~~contract~~Contract period. Any purchases of these items after ~~thirty-six~~twenty-four (~~36~~24) months shall be approved by the Department prior to purchase.

RULE §25.8 Administrative Thresholds

Administrative ~~draw~~Draw request. Administrative ~~draw~~Draw requests are funded out of the portion of the Contract budget specified for administrative cost (~~Administration~~administration ~~Line-line~~ ~~Item-item~~ of the Contract ~~Budget~~budget). These costs are not directly associated with an Activity. The administration line item will be disbursed as described in paragraphs (1) - (8) of this section:

(1) Threshold 1. The initial administrative ~~draw~~Draw request allows up to 10 percent of the administration line item to be drawn down prior to the start of any project ~~activity~~Activity included in the Performance Statement of the Contract (provided that all pre-~~draw~~Draw requirements, as described in the Contract, for administration have been met). Subsequent administrative funds will be reimbursed in proportion to the percentage of the work that has been completed as identified in paragraphs (2) - (8) of this section.

(2) Threshold 2. Allows up to an additional ~~15~~fifteen (~~15~~) percent (~~twenty-five~~ (~~25~~) percent of the total) of the administration line item to be drawn down after a start of project ~~activity~~Activity has been demonstrated. For the purposes of this threshold, if Davis-Bacon labor standards are required for a given ~~program~~Program ~~activity~~Activity, the "start of project ~~activity~~Activity" is evidenced by the submission of a start of construction form. If labor standards are not required on a given project ~~activity~~Activity that has commenced (and for which reimbursement is being sought), the submission ~~of a~~ ~~drawdown~~Draw request that includes sufficient back-up documentation for expenses of non-administrative project ~~activities~~Activities evidences a start of project ~~activity~~Activity. Direct ~~delivery/soft costs~~Delivery Costs charges will not constitute a start of project ~~activity~~Activity.

(3) Threshold 3. Allows up to an additional ~~twenty-five~~ (~~25~~) percent (~~fifty~~ (~~50~~) percent of the total) of the administration line item to be drawn down after compliance with the eighteen (18) month threshold requirement has been demonstrated as described in §25.9 of this ~~chapter~~Chapter (relating to Expenditure Thresholds and Closeout Requirements).

(4) Threshold 4. Allows up to an additional ~~twenty-five~~ (~~25~~) percent (~~Seventy-five~~ (~~75~~) percent of the total) of the administration line item to be drawn down after compliance with the thirty (30) month threshold requirement has been demonstrated as described in this chapter.

(5) Threshold 5. Allows up to an additional ~~fifteen~~ (~~15~~) percent (~~Ninety~~ (~~90~~) percent of the total) of the administration line item to be drawn down after compliance with the forty-two (42)

month threshold requirement has been demonstrated as described in this ~~chapter~~Chapter.

(6) Threshold 6. Allows an additional ~~five (5)~~5 percent (~~Ninety-five (95)~~ percent of the total) of the administration line item to be drawn down upon receipt of all required close-out documentation.

(7) Threshold 7. Allows the final ~~five (5)~~5 percent (~~One-hundred (100)~~ percent of the total), less any administrative funds reserved for audit costs as noted on the Project Completion Report of the administration line item to be drawn down following receipt of the programmatic close-out letter issued by Department.

(8) Threshold 8. Any funds reserved for audit costs will be released upon completion and submission of an acceptable audit. Only the portion of audit expenses reasonably attributable to the Contract ~~are is~~ eligible.

RULE §25.9 Expenditure Thresholds and Closeout Requirements

(a) ~~Contract~~ Administrators must meet the expenditure threshold requirements described in paragraphs ~~(1) - (4)~~ of this subsection:

(1) Six ~~(6)~~-Month Threshold. An Environmental Assessment that meets the requirements outlined in the environmental clearance requirements of the Contract must be submitted to the Department within six (6) months from the start date of the Contract;

(2) ~~Eighteen-Twenty-four(20)~~-Month Threshold. To meet this requirement the ~~Contract~~ Administrator must have expended and submitted for reimbursement to the Department at least 30 percent of the total Colonia Self-Help Center funds awarded within ~~eighteen-twenty (1820)~~ months from the start date of the Contract;

(3) Thirty ~~(30)~~-Month Threshold. To meet this requirement the ~~Contract~~ Administrator must have expended and submitted for reimbursement to the Department at least ~~sixty (60)~~ percent of the total Colonia Self-Help Center funds awarded within thirty (30) months from the start date of the Contract; and

(4) Forty-two ~~(42)~~-Month Threshold. To meet this requirement the ~~Contract~~ Administrator must have expended and submitted for reimbursement to the Department at least ~~ninety (90)~~ percent of the total Colonia Self-Help Center funds awarded within forty-two (42) months from the start date of the Contract.

(b) For purposes of meeting a threshold, "expended and submitted" means that a ~~draw~~Draw request was received by the Department, is complete, and all costs needed to meet a threshold are adequately supported. The Department will not be liable for a threshold violation if a ~~draw~~Draw request is not received by the threshold date.

(c) The final ~~draw~~Draw request and complete closeout documents must be submitted no later than sixty (60) days after the Contract end date. If closeout documents are late, the remaining Contract balance may be subject to deobligation as the Department's liability for such costs will have expired. If a ~~Contract~~ Administrator has reserved funds in the project completion report for a final ~~draw~~Draw request, the ~~Contract~~ Administrator has ninety (90) days after the Contract end date to submit the final ~~draw~~Draw request, with the exception of audit costs which may be reimbursed upon submission of the final single audit.

1d

BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action on proposed new 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.24, concerning Protected Health Information, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

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

WHEREAS, the proposed new 10 TAC §1.24 will identify actions to be taken by Subrecipients or Affiliates that collect or receive Protected Health Information in the course of administering Department programs;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees, be and each of them hereby are authorized, empowered and directed, for and on behalf of the Department to cause the publication of the proposed new section, in the form presented to this meeting, to be published in the *Texas Register* for public comment and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing, including the preparation of subchapter specific preambles.

BACKGROUND

The addition of this rule to Subchapter A, General Policies and Procedures establishes one uniform rule for all Department programs concerning Protected Health Information. It is anticipated that this rule will be expanded in the future to further address this issue with the insight of the Department's new Information Technology Security Officer.

Attachment B: Preamble and proposed new 10 TAC Chapter 1, Subchapter A, §1.24

The Texas Department of Housing and Community Affairs (the “Department”) proposes new 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.24, concerning Protected Health Information. The purpose of the proposed new section is to establish one rule for all Department programs concerning Protected Health Information.

FISCAL NOTE. Timothy K. Irvine, Executive Director, has determined that, for each year of the first five years the proposed new section will be in effect, enforcing or administering the proposed new section does not have any foreseeable implications related to costs or revenues of the state or local governments.

PUBLIC BENEFIT/COST NOTE. Mr. Irvine also has determined that, for each year of the first five years the new section is in effect, the public benefit anticipated as a result of the new section will be consistency in the rules for all Department programs and assurance of protection of health information for the Department’s assisted individuals. There are no anticipated economic costs to individuals required to comply with the section as a result of this action, as affected individuals are already required to comply.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES. The Department has determined that there will be no economic effect on small or micro-businesses, as such businesses are already required to comply.

REQUEST FOR PUBLIC COMMENT. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Annette Cornier, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, by email to cadrulecomments@tdhca.state.tx.us or by fax to (512) 475-3935. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. MAY 25, 2014.

STATUTORY AUTHORITY. The new section is proposed pursuant to Texas Government Code, §2306.053 which authorizes the Department to adopt rules.

The proposed new section affects no other code, article, or statute.

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

(1) Affiliate--Shall have the meaning assigned by the specific program or programs described in this title.

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

(3) Protected Health Information--As defined in 45 CFR 160.103.

(4) Subrecipient--Includes any entity receiving funds or awards from the Department.

(b) If Subrecipients or Affiliates collect or receive Protected Health Information in the course of administering Department programs, they are required to follow the procedures in Texas Health and Safety Code, Subtitle I, Chapter 181.

(c) A nonprofit agency is exempt from this subchapter, unless the nonprofit’s primary business is the provision of health care or reimbursement for health care services.

1e

BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action on the proposed repeal of 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.23, concerning Protected Health Information, and directing its publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §§2306.053 and .092, the Department is provided the authority to adopt rules governing the administration of the Department and its Community Affairs programs; and

WHEREAS, 10 TAC §5.23 regarding Protected Health Information is no longer necessary as a similar rule is being proposed in Chapter 1 under a separate action at this Board meeting;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and each them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the publication of the proposed repeal of 10 TAC Chapter 5, Subchapter A, §5.23, in the form presented to this meeting, to be published in the *Texas Register* for public comment and, in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing, including the preparation of a subchapter specific preamble.

BACKGROUND

The requirements of 10 TAC §5.23 related to Protected Health Information are no longer needed in the Community Affairs rules as the addition of the proposed new 10 TAC §1.24 in Subchapter A, General Policies and Procedures will establish one rule concerning Protected Health Information for all Department programs.

Attachment A. Preamble and proposed repeal of 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.23, concerning Protected Health Information

The Texas Department of Housing and Community Affairs (the “Department”) proposes the repeal of 10 TAC Chapter 5, Community Affairs Programs, Subchapter A, General Provisions, §5.23, concerning Protected Health Information. The purpose of the proposed repeal is to consolidate requirements and to avoid redundancy, as the Department is proposing to establish a new Protected Health Information section in 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, which will be applied to all Department programs.

FISCAL NOTE. Timothy K. Irvine, Executive Director, has determined that, for each year of the first five years the repeal will be in effect, enforcing or administering the repeal does not have any foreseeable implications related to costs or revenues of the state or local governments.

PUBLIC BENEFIT/COST NOTE. Mr. Irvine also has determined that, for each year of the first five years the repeal will be in effect, the public benefit anticipated as a result of the repeal will be to avoid redundancy in and clarify Department rules. There will not be any economic cost to any individuals required to comply with the repeal.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES. The Department has determined that there will be no economic effect on small or micro-businesses.

REQUEST FOR PUBLIC COMMENT. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Annette Cornier, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, by email to cadrulecomments@tdhca.state.tx.us, or by fax to (512) 475-3935. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. MAY 25, 2014.

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

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

§5.23 Protected Health Information

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BOARD ACTION REQUEST
COMMUNITY AFFAIRS DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action on an order adopting amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program, §5.430, concerning Allowable Subrecipient Administrative and Program Services Costs, and directing its publication in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §§2306.053 and .092, the Department is provided the authority to adopt rules governing the administration of the Department and its Community Affairs programs;

WHEREAS, the proposed amendments to 10 TAC §5.430 clarify allowable uses of Comprehensive Energy Assistance Program (“CEAP”) funds, including administrative and program services activities, and provide consistency regarding the CEAP Contract; and

WHEREAS, the proposed amendments were published in the *Texas Register* on March 7, 2014 for public comment;

NOW, therefore, it is hereby

RESOLVED, that the final order adopting the amendments to 10 TAC Chapter 5, Subchapter D, Comprehensive Energy Assistance Program, §5.430, concerning Allowable Subrecipient Administrative and Program Services Costs, is hereby ordered adopted and approved, together with the preamble presented to this meeting, for publication in the *Texas Register*; and

FURTHER RESOLVED, that the Executive Director and his designees be and each of them hereby are authorized, empowered, and directed, for and on behalf of the Department, to cause the adopted amendments, in the form presented to this meeting, to be published in the *Texas Register* and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

The amendments to §5.430 provide clarification of allowable uses of CEAP funds and provides consistency with Contract requirements.

The proposed amendments were approved for publication on February 20, 2014, by the Board, and were published in the March 7, 2014, issue of the *Texas Register* to allow for public comment. The public comment period closed on March 27, 2014. No comments were received.

Attachment A: Preamble and Amended 10 TAC Chapter 5, Subchapter D, §5.430

The Texas Department of Housing and Community Affairs (the "Department") adopts amendments to 10 TAC Chapter 5, Community Affairs Programs, Subchapter D, Comprehensive Energy Assistance Program, §5.430, concerning Allowable Subrecipient Administrative and Program Services Costs, without changes to the proposed text as published in the March 7, 2014, issue of the *Texas Register* (39 TexReg 1591) and will not be republished.

REASONED JUSTIFICATION. the amendments to §5.430, Allowable Subrecipient Administrative and Program Services Costs, provide clarification of allowable uses of CEAP funds and consistency with Contract requirements.

SUMMARY OF PUBLIC COMMENT AND STAFF RECOMMENDATIONS.

Comments were accepted from March 7, 2014, through March 27, 2014. No public comments were received.

STATUTORY AUTHORITY. The amendments are adopted pursuant to Texas Government Code, §2306.053, which generally authorizes the Department to adopt rules, and more specifically Texas Government Code, §2306.092, which authorizes the Department to promulgate rules regarding its community affairs and community development programs.

§5.430. Allowable Subrecipient Administrative and Program Services Costs.

(a) Funds available for Subrecipient administrative activities will be calculated by the Department as a percentage of direct services expenditures. Administrative costs shall not exceed the maximum percentage of total direct services expenditures as indicated in the Contract. All other administrative costs, exclusive of administrative costs for program services, must be paid with nonfederal funds. Allowable administrative costs for administrative activities includes costs for general administration and coordination of CEAP, including contract costs and all indirect (or overhead) cost, and activities as described in paragraphs (1) thru (7) of this subsection:

- (1) salaries;
- (2) fringe benefits;
- (3) non-training travel;
- (4) equipment;
- (5) supplies;
- (6) audit (limited to percentage of the contract expenditures, excluding training/travel costs as indicated in the Contract); and
- (7) office space (limited to percentage of the contract expenditures, excluding training/travel costs as indicated in the Contract).

(b) Program services costs shall not exceed the maximum percentage of total direct services expenditures as indicated in the Contract. Program services costs are allowable when associated with providing client direct services. Program services costs may include outreach activities and expenditures

on the information technology and computerization needed for tracking or monitoring required by CEAP, and activities as described in paragraphs (1) - (8) of this subsection:

- (1) direct administrative cost associated with providing the client direct service;
- (2) salaries and benefits cost for staff providing program services;
- (3) supplies;
- (4) equipment;
- (5) travel;
- (6) postage;
- (7) utilities; and
- (8) rental of office space.

1g

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action on proposed amendments to 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.5(e), concerning Previous Participation Reviews, and directing their publication for public comment in the *Texas Register*

RECOMMENDED ACTION

WHEREAS, the new Previous Participation requirements went into effect in January 2014 and included a comprehensive report and owner's response regarding asset management benchmarks for all developments in an owner's TDHCA funded portfolio regardless of compliance performance; and

WHEREAS, such review and response required significant allocation of time and resources to for staff to identify and review issues and for owners to provide adequate and responsive information with limited additional benefit where unresolved compliance issues do not exist;

NOW, therefore, it is hereby

RESOLVED, that the proposed amendment is approved for publication for public comment and that the Executive Director and his designees be and each of them are hereby authorized, empowered and directed, for and on behalf of the Department, to publish the amendment to 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, Section 1.5, Subsection (e), concerning Previous Participation Reviews, in the *Texas Register* for review and public comment and in connection therewith, make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

BACKGROUND

The rules regarding previous participation were revised significantly over the past several months. While these rules are relatively straight forward they incorporate actions from other rules and more complicated contract arrangements. For example, the compliance portion relies upon requirements established in the LURA and in the compliance rules. Compliance rules are typically clearly delineated to pinpoint issues where there is a specific right or wrong answer. The asset management portion of the previous participation rule also relies on rules from other areas as well but tends to evaluate developments as a whole to report the overall economic capacity of a multifaceted real estate development. Thus, as staff began implementing this new rule it became very clear that issues regarding asset management would come into play most

effectively when a specific issue of ongoing non-compliance or loan default was already occurring. The proposed change to the rule is very limited to take this understanding into account. Staff recommends approval of the publication of the proposed amendment for public comment.

Attachment 1. Preamble, amendment of 10 TAC Chapter 1, Subchapter A, General Policies and Procedures §1.5 (e) Previous Participation

The Texas Department of Housing and Community Affairs (the “Department”) proposes amendments to 10 TAC Chapter 1, Subchapter A, General Policies and Procedures, §1.5 (e), concerning Previous Participation Reviews. The proposed amendments require a report on asset management performance only when outstanding noncompliance exists.

FISCAL NOTE. Timothy K. Irvine, Executive Director, has determined that, for each year of the first five years the amendment is in effect, enforcing or administering the amendment does not have any foreseeable impact related to costs or revenues of the state or local governments.

PUBLIC BENEFIT/COST NOTE. Mr. Irvine also has determined that, for each year of the first five years the amendment is in effect, the public benefit anticipated, as a result of the amendment, will be improved focus on compliance concerns and clarity regarding requirements. There will not be any additional economic cost to any individuals required to comply with the amendment.

ADVERSE IMPACT ON SMALL OR MICRO-BUSINESSES. The Department has determined that there will be no new economic effect on small or micro-businesses.

REQUEST FOR PUBLIC COMMENT. The public comment period will be held April 25, 2014, through May 16, 2014, to receive input on the amendment. Written comments may be submitted to the Texas Department of Housing and Community Affairs, Cari Garcia, Rule Comments, P.O. Box 13941, Austin, Texas 78711-3941, or by fax to (512) 475-3359. ALL COMMENTS MUST BE RECEIVED BY 5:00 P.M. MAY 16, 2014.

STATUTORY AUTHORITY. The amendments are proposed pursuant to Texas Government Code, §2306.053, which authorizes the Department to adopt rules.

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

§1.5 Previous Participation.

(e) ~~Where a report is to be provided, pursuant to Subsection (c) or (d) of this section, From the Director of the Asset Management Division division responsible for overseeing asset management issues for affordable rental properties assisted by the Department EARAC shall receive~~ prepare a report documenting any known current or ongoing concerns regarding the applicant or any affiliate of the applicant to financially or operationally manage one or more affordable rental properties assisted by the Department in a manner to keep the development sanitary, decent, and safe, including which may include but not be limited to:

(1) The establishment and maintenance of appropriate reserves;

- (2) Identification of the development's capacity to meet financial obligations consistent with the minimum ratios to meet underwriting feasibility for the long term;
- (3) ~~Requests for material~~ Material modifications or amendments;
- (4) Any financing known to be in a workout status; and
- (5) Delays in issuance of IRS Form(s) 8609 which are within the control of the owner.

1h

BOARD ACTION REQUEST

COMMUNITY AFFAIRS DIVISION

APRIL 10, 2014

Presentation, Discussion, and Possible Action to Grant staff the Authority to Award a contract to one or more responsive bids generated from a previously authorized Request for Proposals that provides organizational assessments and possible associated technical assistance to awardees of programs funded through the Department, primarily nonprofit organizations funded through the Community Affairs Division programs.

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §§2306.053 and 2306.097, the Department is provided the authority to administer the Community Services Block Grant program (“CSBG”);

WHEREAS, CSBG funds are awarded to the State of Texas by the U.S. Department of Health and Human Services (“HHS”);

WHEREAS, when the Department receives the State’s annual award of CSBG funds, it reserves ninety percent (90%) of the allotment for CSBG Eligible Entities to provide services/assistance to the low-income population in all 254 counties; five percent (5%) for state administration expenses; and the remaining five percent (5%) for state discretionary use (“CSBG-D”);

WHEREAS, on April 11, 2013, the Department received authorization from this Board to release a NOFA and/or RFP targeted to providing third party consultative work in the Texas Community Action Agency network;

WHEREAS, on September 12, 2013, the Department released an RFP and received one responsive bid by the October 10, 2013 deadline, but the respondent was determined to be ineligible; and

WHEREAS, on January 23, 2014, the Department re-released the RFP and received three responsive proposals by the February 21, 2014, deadline;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees, be and each of them hereby are authorized, empowered and directed, for and on behalf of the Department to award a contract to one or more eligible and responsive bids generated from the Request for Proposals released on January 23, 2014, for organizational assessments and possible associated technical assistance to awardees of programs funded through the Department, primarily nonprofit organizations funded through the Community Affairs Division programs, conditioned on the completion of the Departments previous participation review; and

FURTHER RESOLVED, that the Executive Director and his designees, be and each of them hereby are authorize, empowered and directed to execute said contract and pursue any associated negotiations or contract stipulations as may be prudent for the successful contracting of this RFP.

BACKGROUND

Historically, from the annual CSBG allocation the Department has released one or more CSBG Discretionary NOFAs totaling approximately \$900,000 in the aggregate for services that included: (1) employment and education programs for migrant and seasonal farm workers and Native Americans, and other innovative projects (approximately \$200,000); (2) statewide projects to provide intensive training and technical assistance to CSBG eligible entities (approximately \$200,000); and (3) statewide projects that provide training and technical assistance to homelessness services providers (approximately \$500,000).

Federal funds are generally quite restrictive with regard to their eligible uses, and it is of benefit to both the Department and the statewide network of Community Action Agencies to be able to access resources which can objectively and capably assess operations and offer ways to enhance compliant operations. Flexible funds, such as CSBG discretionary funds, are often the only funds that may be used for addressing special projects of this sort.

The contracted provider, as needed, will travel to organizations or entities identified by TDHCA to assess overall organizational operations (management, fiscal, board, etc.) and create an assessment report which will include a full description of the assessment, any observations, conclusions, and/or findings of deficiency, recommendations, and suggested actions to be taken. The purpose of the assessment is to identify whether policies, practices, systems and controls of the organization or entity ensure sound management of federal and/or state resources and maximize how that organization will have the infrastructure to administer Department programs and other programs leveraged with CSBG funds. The provider may deliver technical assistance for one or more areas of the assessment, as agreed to by the Department.

Specific organizations or entities will be determined based on assignment by the Department to receive organizational assessments of and possible associated technical assistance from the contracted provider. Assignments of assessments may be proactively requested by organizations or may be Department directed.

1i

BOARD ACTION REQUEST

COMMUNITY AFFAIRS DIVISION

APRIL 10, 2014

Presentation, Discussion, and Possible Action on an amendment to the existing Community Services Block Grant contracts awarded to Texas Homeless Network for additional CSBG-D funds

RECOMMENDED ACTION

WHEREAS, as part of the PY2013 Community Services Block Grant discretionary funds Notice of Funding Availability (“CSBG-D NOFA”), the Texas Homeless Network was awarded two separate contracts to 1) coordinate with local Continua of Care (“CoCs”) to design centralized intake and coordinated assessment tools for clients, and 2) provide training and technical assistance to CoCs to enable them to meet all HUD CoC requirements;

WHEREAS, in public comment at the January 23, 2014 Board meeting, Ken Martin of the Texas Homeless Network reported on the status of the contracts and expressed the need to continue working with the CoCs beyond the current contract period and stated that an extension would allow for this ongoing effort; and

WHEREAS, in light of this request, staff has reviewed the current status of the contracts and concurs with Mr. Martin that extending the contracts and augmenting their funds as well as responsibilities would be beneficial to the Department in achieving both its goal (as well as HUD’s) of greater coordination among and within CoCs at the local level;

NOW, therefore, it is hereby

RESOLVED, that the executive director and his/her designees are authorized and directed, for and on behalf of the Department, to enter into amendments to each of the CSBG-D contracts with Texas Homeless Network with a contract period to be effective through July 31, 2015, to include a \$100,000 increase in each contract, and increase the deliverables of the contracts as mutually determined by the Texas Homeless Network and the Department.

BACKGROUND

On September 23, 2013, Texas Homeless Network (“THN”) was awarded CSBG-D funds to coordinate with local CoCs to design centralized intake and coordinated assessment tools for clients and to provide training and technical assistance to CoCs to enable them to meet all HUD CoC requirements.

Staff believes that amendment of these two contracts will enable THN to continue to provide these critical services to Texas CoCs as they prepare to meet HUD’s program requirements for CoC establishment and operation by HUD’s imposed deadlines; and it will enable the CoCs to have the appropriate policies and processes in place at the local level as the Department seeks to advance HUD’s goal of local coordination through its funding mechanisms.

Staff notes that the amendment will increase the funds associated with the contracts and does not include a decrease in funds for any other purpose. Staff proposes to use \$200,000 of the \$500,000 in funds for homelessness initiatives approved by this Board on January 23, 2014, through the PY2014 CSBG-D NOFA to fund this request. Contract extensions would be effective August 1, 2014, and extend the contracts through July 31, 2015.

1j

BOARD ACTION REQUEST

COMMUNITY AFFAIRS DIVISION

APRIL 10, 2014

Presentation, Discussion, and Possible Action on the Award of Department of Energy (DOE) Weatherization Assistance Program (WAP) and Low-Income Home Energy Assistance Program (LIHEAP) WAP contracts to Community Council of South Central Texas, Inc. to provide weatherization services in Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde, and Zavala counties

RECOMMENDED ACTION

WHEREAS, pursuant to Texas Government Code, §§2306.053 and 2306.097, the Department is provided the authority to administer the Weatherization Assistance Program (WAP);

WHEREAS, the Department administers the WAP with funding from both the Department of Energy and the U.S. Health and Human Services' Low-Income Home Energy Assistance Program;

WHEREAS, due to the voluntary relinquishment of these programs by Community Services Agency of South Texas, there is no existing WAP service provider in Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde, and Zavala counties;

WHEREAS, on April 11, 2013, the Department received authorization from this Board to release a Request for Applications ("RFA") targeted to providing the Weatherization Assistance Program in Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde and Zavala counties;

WHEREAS, on September 10, 2013, the Department released an RFP and received no responsive applications by the October 11, 2013 deadline; and

WHEREAS, on January 31, 2014 the Department re-released the RFA and received one qualifying response by the February 28, 2014 deadline;

NOW, therefore, it is hereby

RESOLVED, that the Department awards DOE WAP and LIHEAP WAP provider contracts to Community Council of South Central Texas, Inc. to provide weatherization services in Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde, and Zavala counties, conditioned on the completion of the Departments previous participation review.

BACKGROUND

Due to the voluntary relinquishment by Community Services Agency of South Texas, the Department was not able to execute WAP contracts in PY 2012 or 2013 for a WAP service provider, leaving Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde, and Zavala counties without these services.

At the April 11, 2013, Board meeting, Staff requested approval for the release of an RFA to identify an entity that would enable the Department to restore WAP service to the affected counties. The RFA required that applicant organizations apply for all counties in the service area of the program. The application deadline was October 11, 2013. Staff received and scored application responses from two entities: Community Council of South Central Texas (“CCSCT”) and Middle Rio Grande Development Council (“MRGDC”). After thorough review and consideration of applications and past performance, the Department determined that MRGDC did not evidence the appropriate experience and CCSCT at that time had outstanding monitoring findings. The Department exercised its sole discretion as granted in the RFA and declined all applications.

The Department re-released the RFA January 31, 2014, and received one response by the February 28, 2014 deadline. After thorough review and consideration of applications and past performance, staff recommends that the Board approve the conditional award of Department of Energy Weatherization Assistance Program and Low-Income Home Energy Assistance Program Weatherization Assistance Program contracts to Community Council of South Central Texas, Inc. to provide weatherization services in Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde, and Zavala Counties.

WAP provides for the installation of weatherization measures to increase energy efficiency of a home including caulking, weather-stripping, adding ceiling, wall, and floor insulation, patching holes in the building envelope, duct work, and repair or replacement of energy inefficient heating and cooling systems. Additionally, the funds allow for subrecipients to complete financial audits, household energy audits, outreach and engagement activities, and program administration. Further, funding provides for State administration and State training and technical assistance activities.

Attachment A: PPR for agency

NOTE: PPR is pending

1k

BOARD ACTION REQUEST
BOND FINANCE DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action on Resolution 14-019 regarding the annual approval of the Department's Investment Policy

RECOMMENDED ACTION

WHEREAS, the Governing Board of the Department (the "Board") desires to review the Department's Investment Policy, and the Board has found the Investment Policy in the form presented to the Board to be satisfactory and in proper form and in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "Public Funds Investment Act"); and

WHEREAS, the Director of Bond Finance and the Chief Financial Officer review and the Board approves this Policy on an annual basis;

NOW, therefore, it is hereby

RESOLVED, that Resolution No. 14-019 and the Department's Investment Policy are hereby adopted in the form presented to this meeting.

BACKGROUND

The Public Funds Investment Act ("PFIA") requires State Agency Boards, with investments, to develop, adopt annually and maintain an Investment Policy that outlines the purpose of investments, the types of permissible investments, designation of an Investment Officer, selection of a reporting format and frequency, and required training for both Investment Officers and Board Members. It also sets out ethics and conflict of interest rules to which the Department must adhere. It requires the investment professionals to acknowledge their receipt of the policy in order to do business with the Department. TDHCA Investment Officers are David Cervantes, Chief Financial Officer, and Tim Nelson, Director of Bond Finance. TDHCA staff has reviewed the current investment policy that was approved on April 11, 2013. No changes, other than dates, have been made.

A black-line version of the proposed Investment Policy is attached for your reference.

RESOLUTION NO. 14-019

RESOLUTION OF THE GOVERNING BOARD APPROVING THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS INVESTMENT POLICY

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas (the "Department"), was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, collectively, the "Act"); and

WHEREAS, the Governing Board of the Department (the "Governing Board") desires to approve the Department's Investment Policy in the form presented to the Governing Board;

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

ARTICLE 1

APPROVAL OF DOCUMENTS AND CERTAIN ACTIONS

Section 1.1 Approval of the Department's Investment Policy. The Investment Policy in the form presented to the Governing Board is hereby authorized and approved.

Section 1.2 Authorized Representatives. The following persons and each of them are hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Governing Board, the Executive Director of the Department, the Chief Financial Officer of the Department, the Director of Bond Finance of the Department, the Director of Multifamily Finance of the Department, the Director of Texas Homeownership of the Department and the Secretary or any Assistant Secretary to the Governing Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Persons is authorized to act individually as set forth in this Resolution.

ARTICLE 2

GENERAL PROVISIONS

Section 2.1 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Governing Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with §2306.032 of the Texas Government Code, regarding meetings of the Governing Board.

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

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 10th day of April, 2014.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INVESTMENT POLICY

As presented to the Board for adoption on April ~~11~~10, ~~2013~~2014

20132014

April ~~11~~10, ~~2013~~2014

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INVESTMENT POLICY

I. POLICY

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

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

It is further the policy of the Department to set forth in this document how all investments will be administered, providing for an all-inclusive document that will ensure consistency and thoroughness in the presentation of such investments as they affect the Department’s presentation of its financial statements.

II. SCOPE

This investment policy applies to all investments, including both direct investments and investments that are subject to trust indentures created and supplemented in connection with bond issuance of the Department. All of these investments are accounted for in the Department’s Comprehensive Annual Financial Report and include the General Fund, Special Revenue Fund, Trust and Agency Fund, and Enterprise Fund.

In addition to the investment policy, additional guidelines for investment assets that are held under any trust indenture for the benefit of bondholders are addressed in this policy. In regards to the possible application of the Act and this policies on investment activity within trust indentures created in connection with Department issuance of bonds, those indentures are subject to the requirements and constraints of applicable law, and are structured and negotiated in a manner to protect the interests of bondholders. The contractual provisions pursuant to which indenture trustees make investments are set out in the applicable indentures and supplemental indentures and are not constrained by or subject to the requirements of the Act.

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

The Department has created and adopted a separate Interest Rate Swap Policy for guidance regarding the use and management of such hedges.

III. PRUDENCE

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

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

IV. OBJECTIVES

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

1. Safety. Preservation and safety of principal is the foremost objective of the investment program. Investments of the Department shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. In accordance with Section 2256.005(d) of the Act, the first priority is the suitability of the investment. The objective will be to mitigate credit risk and interest rate risk. To achieve this objective, diversification is required so that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio.
 - A. Credit risk is the risk of loss due to the failure of the security issuer or backer, and may be mitigated by:
 - limiting investments to the safest types of securities;
 - pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with whom the Department will do business; and
 - diversifying the investment portfolio so that potential losses on individual securities will be minimized.
 - B. Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates, and may be mitigated by:
 - structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity, and
 - investing operating funds primarily in shorter-term securities.
2. Liquidity. The Department’s investment portfolio shall remain sufficiently liquid to meet all reasonably anticipated cash flow needs. This is accomplished by structuring the portfolio so that securities mature concurrent with estimated or projected cash needs to meet anticipated demands. Since not all possible cash demands can be fully anticipated or projected with total accuracy, the portfolio should consist largely of securities with active secondary or resale markets, providing a reasonable level of flexibility to deal with unforeseen cash needs.

3. **Yield.** The Department's investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and cash flow needs of the Department. Return on investment for short-term operating funds are of less importance compared to the safety and liquidity objectives described above. The core of investments is limited to relatively low-risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to maturity with the following exceptions:
 - A security experiencing or reasonably seen as being at risk of material decline in credit quality could be sold early to minimize the risk of loss of principal;
 - A security swap would improve the quality, yield, or target duration of the overall portfolio without creating other material risks or adverse features; or
 - Liquidity needs of the portfolio require that the security be sold and there are no preferable alternatives.

V. DELEGATION OF AUTHORITY

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

Authority to manage the Department's investment program is granted under the provisions of Texas Government Code, Section 2306.052(b) (4) and (5) to the Director of the Department, ("Executive Director"). Responsibility for the operation of the investment program is hereby delegated by the Executive Director to the Director of Bond Finance and the Chief Financial Officer acting in those capacities (collectively the "Investment Officer") who shall carry out established written procedures and internal controls for the operation of the investment program consistent with this investment policy. The Investment Officer shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. Procedures should include reference to safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, collateral/depository agreements and banking service contracts. Such procedures may include explicit delegation of authority to persons responsible for investment transactions. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the Investment Officer.

VI. ETHICS AND CONFLICTS OF INTEREST

1. Department employees and Board members must comply with all applicable laws, and should specifically be aware of the following statutes:
 - Texas Government Code, Section 825.211, *Certain Interests in Loans, Investments or Contracts Prohibited*
 - Texas Government Code, Section 572.051, *Standards of Conduct for Public Servants*
 - Texas Government Code, Sections 553.001-003, *Disclosure by Public Servants of Interest in Property Being Acquired by Government*
 - Texas Government Code, Section 552.352, *Distribution of Confidential Information*

- Texas Government Code, Section 572.054, *Representation by Former Officer or Employee of Regulatory Agency Restricted*
- Texas Penal Code, Chapter 36, *Bribery, Corrupt Influence and Gifts to Public Servants*
- Texas Penal Code, Chapter 39, *Abuse of Office, Official Misconduct*.

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

2. Department employees and Board members must be honest in the exercise of their duties and must not take actions which will discredit the Department.

3. Department employees and Board members should be loyal to the interest of the Department to the extent that such loyalty is not in conflict with other duties which legally have priority, and should avoid personal, employment or business relationships that create conflicts of interest.

- Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.
- Officers and employees shall disclose to the Executive Director any material interests in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the Department's investment portfolio.
- Officers and employees shall refrain from undertaking personal investment transactions with the same individuals with whom business is conducted on behalf of the Department. Specifically, no employee of the Department is to:
 - * Accept or solicit any gift, favor, or service that might reasonably tend to influence the employee in the discharge of the employee's official duties or that the employee knows or should know is being offered him/her with the intent to influence the employee's official conduct;
 - * Accept other employment or engage in any business or professional activity in which the employee might reasonably expect would require or induce him/her to disclose confidential information acquired by reason of his/her official position;
 - * Accept other employment or compensation which could reasonably be expected to impair the officer's or employee's judgment in the performance of his/her official duties;

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

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

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

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

VII. AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

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

The Department will use as its authorized list of broker/dealers and financial institutions any broker/dealer or financial institution that is authorized to do business with the State Comptroller. With respect to investments provided in connection with the issuance of bonds, the above requirements will be deemed met if the investment provider is acceptable to minimum credit ratings by rating agencies and/or by the bond insurer/credit enhancer, if applicable, and if the investment meets the requirements of the applicable bond trust indenture. A broker, engaged solely to secure a qualified investment referred to in this paragraph on behalf of the Department, which will not be providing an investment instrument shall not be subject to the above requirements, and may only be engaged if approved by the Board.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

IX. AUTHORIZED AND SUITABLE INVESTMENTS

Trust Indenture Funds, all of which are held by Treasury Safekeeping for the benefit of bondholders will be subject to the authorized investments set-forth in the applicable Indenture of Trust and any applicable supplemental indenture(s).

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

Enterprise Fund

1. Subject to a resolution authorizing issuance of its bonds, the Department is empowered by Texas Government Code, Section 2306.173 to invest its money in bonds, obligations or other securities: or place its money in demand or time deposits, whether or not evidenced by certificates of deposit. A guaranteed investment contract is an authorized investment for bond proceeds. All bond proceeds and revenues subject to the pledge of an Indenture shall be invested in accordance with the applicable law and the provisions of the applicable indenture including "Investment Securities" as listed in such Indenture and so defined.
2. All other enterprise funds shall be invested pursuant to state law. The following are permitted investments for those funds pursuant to the Act:
 - A. Obligations of, or guaranteed by governmental entities:
 - Obligations of the United States or its agencies and instrumentalities.
 - Direct obligations of this state or its agencies and instrumentalities.
 - Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, that have a market value of not less than the principal amount of the certificates and which has a maturity that does not exceed 10 years.
 - Other obligations the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities.
 - Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent.
 - B. A Certificate of Deposit is an authorized investment under this policy if the certificate of deposit is issued by a depository institution that has its main office or a branch office in this state and is:
 - guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor;
 - secured by obligations that are described in subsection 2A above, including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates and secured by collateral as described in Section XII of this policy; and

- secured in any other manner and amount provided by law for deposits of the Department.

In addition to the authority to invest funds in certificates of deposit noted above, an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this policy:

- the funds are invested by an investing entity through a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;
- the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;
- the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States;
- the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity acts as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity; and
- at the same time that the funds are deposited and the certificates of deposit are issued for the account of the investing entity, the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor as selected by the investing entity receives an amount of deposits from customers of other federally insured depository institutions, wherever located, that is equal to or greater than the amount of the funds invested by the investing entity through the depository institution guaranteed or insured by the Federal Deposit Insurance Department (FDIC) or its successor.

C. A “repurchase agreement” is a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations of the United States or its agencies and instrumentalities at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement. A fully collateralized repurchase agreement is an authorized investment under this policy if the repurchase agreement:

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

the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.

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

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

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

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

X. DIVERSIFICATION

The Department will diversify its investments by security type and institution. The amount of required diversification will be determined based upon:

- The maturity date of the investment – longer maturity dates will require more diversification; and
- The rating of the underlying investment – lower rated investments will require a greater degree of diversification.

XI. PERFORMANCE STANDARDS

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

XII. EFFECT OF LOSS OF REQUIRED RATING

An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not meet or exceed the minimum rating. The Department shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not meet or exceed the minimum rating. Still further, the Investment Officer is required to review monthly all investments subject to this policy to ensure that there have been no rating changes which would render such investment in violation of this policy.

XIII. MAXIMUM MATURITIES

To the extent possible, the Department will attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the Department will not directly invest in securities maturing more than five years from the date of purchase. The Department will periodically determine what the appropriate average weighted maturity of the portfolio should be based on anticipated cash flow requirements.

General funds dedicated to the support of single family programs may be invested in securities exceeding five years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds.

In addition, funds may be invested in any investments that are being sold from a bond indenture or are the result of the operation of the Department's single family program so long as:

1. such investment furthers the goals of that program;
2. The Investment Officer receives Board approval prior to undertaking such investment.

XIV. COLLATERALIZATION

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

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

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

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

XV. SAFEKEEPING AND CUSTODY

All security transactions, including collateral for repurchase agreements, entered into by the Department will be executed by Delivery vs. Payment (DVP). This ensures that securities are deposited in the eligible

financial institution prior to the release of funds. Securities will be held by a third-party custodian as evidenced by safekeeping receipts.

XVI. INTERNAL CONTROL

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

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

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

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

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

XVII. REPORTING

1. Methods

Not less than quarterly, the Investment Officer shall prepare and submit to the Executive Director and the Board of the Department a written report of investment transactions for all funds covered by this policy for the preceding reporting period; including a summary that provides a clear picture of the status of the current investment portfolio and transactions made over the previous reporting period. This report will be prepared in a manner which will allow the Department and the Board to ascertain whether investment activities during the reporting period have conformed to the investment policy. While not required under the Act, this report will provide information regarding investments held under bond trust indentures as well as investments covered under the Act. The report must:

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

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

2. Performance Standards

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

3. Marking to Market

A statement of the market value of the portfolio shall be issued at least quarterly. The Investment Officer will obtain market values from recognized published sources or from other qualified

professionals as necessary. This will ensure that a review has been performed on the investment portfolio in terms of value and subsequent price volatility.

4. Authorized list of Broker/Dealers and financial institutions.

Not less than ~~quarterly~~annually, the Investment Officer shall prepare and submit to the Director and the Board of the Department a written report outlining the list of authorized broker/dealers and financial institutions maintained by the State Comptroller.

VIII. INVESTMENT POLICY ADOPTION

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

1. Exemptions

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

2. Amendment

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

XIX. ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

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

1. received and reviewed the investment policy of the Department; and
2. acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the Department and the business organization that are not authorized by the Department's investment policy, except to the extent that this authorization is dependent on an analysis of the makeup of the Department's entire portfolio or requires an interpretation of subjective investment standards.

The Investment Officer of the Department may not buy any securities from a person who has not delivered to the Department an instrument complying with this investment policy. (See sample documents at Attachments "C" and "D".)

XX. TRAINING

Each member of the Department's Board and the Investment Officer who are in office on September 1, 1996 or who assume such duties after September 1, 1996, shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties. Training under this section is provided by the Texas Higher Education Coordinating Board and must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this policy. The Investment Officer shall attend a training session not less than once in a two-year period and may receive training from any independent source approved by the Department's Board. The Investment Officer shall prepare a report on the training and deliver the report to the Board not later than the 180th day after the last day of each regular session of the legislature.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment A

STRATEGY

SECTION 1

All of the Department's funds as listed below are program / operational in nature, excluding the bond funds which are listed separately in Section 2 below. The following funds are held in the State Treasury and the Department earns interest on those balances at the then applicable rate.

- General Fund
- Trust Funds
- Agency Funds
- Proprietary Funds (excluding Revenue Bond Funds)

SECTION 2

The Department's Revenue Bond Funds, including proceeds, are invested in various investments as stipulated by the controlling bond indenture. Certain investments, controlled by indentures prior to the latest revised Public Funds Investment Act, are properly grandfathered from its provisions. Typical investments include: guaranteed investment contracts; agency mortgage-backed securities resulting from the program's loan origination; in some cases, long-term Treasury notes; and bonds used as reserves with maturities that coincide with certain long-term bond maturities.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment B

POLICY STATEMENTS AND RECOMMENDED PRACTICE

Repurchase Agreements

1. Repurchase agreements (“repos”) are the sale by a bank or dealer of government securities with the simultaneous agreement to repurchase the securities on a later date. Repos are commonly used by public entities to secure money market rates of interest.
2. The Department affirms that repurchase agreements are an integral part of its investment program.
3. The Department and its designated Investment Officer should exercise special caution in selecting parties with whom they will conduct repurchase transactions, and be able to identify the parties acting as principals to the transaction.
4. Proper collateralization practices are necessary to protect the public funds invested in repurchase agreements. Risk is significantly reduced by delivery of underlying securities through physical delivery or safekeeping with the purchaser’s custodian. Over-collateralization, commonly called haircut, or marking-to-market practices should be mandatory procedures.
5. To protect public funds the Department should work with securities dealers, banks, and their respective associations to promote improved repurchase agreement procedures through master repurchase agreements that protect purchasers’ interests, universal standards for delivery procedures, and written risk disclosures.
6. Master repurchase agreements should generally be used subject to appropriate legal and technical review. If the prototype agreement developed by the Public Securities Association is used, appropriate supplemental provisions regarding delivery, substitution, margin maintenance, margin amounts, seller representations and governing law should be included.
7. Despite contractual agreements to the contrary, receivers, bankruptcy courts and federal agencies have interfered with the liquidation of repurchase agreement collateral. Therefore, the Department should encourage Congress to eliminate statutory and regulatory obstacles to perfected security interests and liquidation of repurchase collateral in the event of default.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment "C"

ACKNOWLEDGMENT OF RECEIPT OF INVESTMENT POLICY

- 1. I am a qualified representative of _____ (the "Business Organization").
- 2. The Business Organization proposes to engage in an investment transaction (the "Investments") with the Texas Department of Housing and Community Affairs (the "Department").
- 3. I acknowledge that I have received and reviewed the Department's investment policy.
- 4. I acknowledge that the Business Organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the business organization and the Department that are not authorized by the Department's investment policy.
- 5. The Business Organization makes no representation regarding authorization of the Investments to the extent such authorization is dependent on an analysis of the Department's entire portfolio and which requires an interpretation of subjective investment standards.

Dated this _____ day of _____, _____.

Name: _____

Title: _____

Business Organization: _____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment “D”

CERTIFICATE OF COMPLIANCE WITH PUBLIC FUNDS INVESTMENT ACT

I, _____, a qualified representative of

_____ (the “Business
Organization”)

hereby execute and deliver this certificate in conjunction with the proposed sale of investments to the Texas Department of Housing and Community Affairs (the “Department”). I hereby certify that:

1. I have received and thoroughly reviewed the Investment Policy of the Department, as established by the Department pursuant to Texas Government Code, Chapter 2256;
2. The Business Organization has implemented reasonable procedures and controls in an effort to preclude imprudent investment activities arising out of or in any way relating to the sale of the investments to the Department by the Business Organization;
3. The Business Organization has reviewed the terms, conditions and characteristics of the investments and applicable law, and represents that the investments are authorized to be purchased with public funds under the terms of Texas Government Code, Chapter 2256; and
4. The investments comply, in all respects, with the investment policy of the Department.

Business Organization: _____

By: _____

Title: _____

Date: _____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment “E”

Annual Disclosure Statement for Financial Advisors and Service Providers

Figure 1

that you or your business entity provides to the state governmental entity or to a member of the governing body in connection with the management or investment of state funds?

Yes_____ No_____

If yes, please explain in detail. (Attach additional sheets as needed.)

PART 3: SIGNATURE AND DATE

I hereby attest that all information provided above is complete and accurate. I acknowledge my or my firm's responsibility to submit promptly a new or amended disclosure statement to the parties listed in step 4 of the instructions if any of the above information changes.

Signature_____ Date_____

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Attachment “F”

RESOLUTION NO. 14-019

**RESOLUTION OF THE GOVERNING BOARD APPROVING THE
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS INVESTMENT POLICY**

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas (the “Department”), was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, collectively, the “Act”); and

WHEREAS, the Governing Board of the Department (the “Governing Board”) desires to approve the Department’s Investment Policy in the form presented to the Governing Board;

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

Section -- 1

APPROVAL OF DOCUMENTS AND CERTAIN ACTIONS

a. Approval of the Department’s Investment Policy. The Investment Policy in the form presented to the Governing Board is hereby authorized and approved.

b. Authorized Representatives. The following persons and each of them are hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department’s seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Governing Board, the Executive Director of the Department, the Chief Financial Officer of the Department, the Director of Bond Finance of the Department, the Director of Multifamily Finance of the Department, the Director of Texas Homeownership of the Department and the Secretary or any Assistant Secretary to the Governing Board. Such persons are referred to herein collectively as the “Authorized Representatives.” Any one of the Authorized Persons is authorized to act individually as set forth in this Resolution.

Section -- 2

GENERAL PROVISIONS

a. Notice of Meeting. This Resolution was considered and adopted at a meeting of the Governing Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with §2306.032 of the Texas Government Code, regarding meetings of the Governing Board.

b. Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

PASSED AND APPROVED this 10th day of April, 2014.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

Attachment “G”
Comptroller of Public Accounts Approved Broker Dealer List
APPROVED BROKER/DEALER LIST
(Updated June 2013)

Amherst Securities Group
Barclays Capital Inc
BedRok Capital
Blaylock Robert Van LLC
Bley Investment Group, Inc. **(H)**
BMO Capital Markets
BNP Paribas Securities Corp.
BOSC, Inc.*
Cantor Fitzgerald & Co.
Capital Institutional Services, Inc.
Citigroup Global Markets Inc.
Coastal Securities
Credit Suisse (USA), LLC
D.A. Davidson & Co.*
Daiwa Capital Markets America, Inc.
Deutsche Bank Securities, Inc.
Drexel Hamilton LLC
The Fig Group, LLC*
First Southwest Company
Frost National Bank
FTN Financial Services Corp.
Goldman, Sachs & Co.
HSBC Securities (USA), Inc.
Jefferies & Company, Inc.
JP Morgan Securities LLC
Knight Execution and Clearing Services LLC
Loop Capital Markets
Merrill Lynch, Pierce, Fenner & Smith
Mesirow Financial, Inc.
Mischler Financial Group
Mizuho Securities USA Inc.
Morgan Keegan & Company, Inc.
Morgan Stanley & Co., Inc.
MFR Securities
M.R. Beal & Company
National Alliance Capital Markets
Nomura Securities International, Inc.
Piper Jaffrey Companies
Raymond James
RBC Capital Markets LLC
RBS Securities Inc.
Rice Securities, LLC
Robert W. Baird & Co., Inc.
SAMCO Capital Markets Inc.
Scotia Capital (USA) Inc.*
Signature Securities Group Corp.

S.G. America Securities LLC
Southwest Securities
Sterne, Agee & Leach, Inc.
Stifel Nicolaus & Company, Inc.
SunTrust Robinson Humphrey Inc.*
T.D. Securities*
UBS Securities
Vining Sparks IGB, LP
Wells Fargo Securities LLC
Zions Investment Securities

(H) -- Historically Underutilized Business

* Added June 2013

11

BOARD ACTION REQUEST

BOND FINANCE DIVISION

APRIL 10, 2014

Presentation, Discussion, and Possible Action on Resolution No. 14-020 authorizing the Second Amendment to the Servicing Agreement between TDHCA and US Bank

RECOMMENDED ACTION

WHEREAS, pursuant to Resolution No. 13-003 adopted September 6, 2012, the Governing Board approved: (1) a taxable mortgage purchase program to fund all or a portion of the Department's single family loan production, (2) the Master Mortgage Origination for the Department's single family mortgage purchase programs, and (3) the Servicing Agreement between the Department and U.S. Bank National Association;

WHEREAS, pursuant to Resolution No. 13-038 adopted on June 13, 2013, the Governing Board approved (1) the First Amendment to Master Mortgage Origination Agreement for the Department's single family mortgage purchase programs and (2) the First Amendment to Servicing Agreement between the Department and the Servicer to conform to the requirements of HUD Mortgagee Letter 2013-14 relating to requirements for secondary financing provided by a state government;

WHEREAS, pursuant to Resolution No. 14-008 adopted on December 12, 2013, the Governing Board authorized modification of the Program Documents to the extent necessary to comply with rules of the Consumer Financial Protection Bureau ("CFPB") and the Department of Housing and Urban Development ("HUD") and proposed federal regulations under the Dodd-Frank Act ("Dodd-Frank") with respect to qualified mortgages and the limit on points and fees that can be charged for such mortgages;

WHEREAS, the Governing Board desires to amend the Servicing Agreement, as amended by the First Amendment to Servicing Agreement, in order to incorporate modifications to comply with Dodd-Frank and to amend the amount of servicing release premium ("SRP") paid by the Servicer in connection with the purchase of a mortgage loan from a mortgage lender under the Program;

WHEREAS, the Governing Board authorizes the Department to pay up to 50 basis points of origination fees charged by Fannie Mae and the Servicer related to the origination of the HFA Preferred Product;

WHEREAS, the Governing Board also desires to authorize the execution and delivery of a Second Amendment to Servicing Agreement between the Department and the Servicer;

NOW, therefore, it is hereby

RESOLVED, that Resolution No. 14-020 is hereby adopted in the form presented to this meeting.

BACKGROUND

In October of 2012, the Department released its TMP Program 79 in an amount of \$600 million. To date, approximately 2,600 loans have been committed totaling almost \$345 million. The Department previously amended the Servicing Agreement between the Department and U.S. Bank National Association in order to incorporate various changes to the program necessitated by HUD or the recently enacted Dodd-Frank legislation.

Staff is seeking approval from the Board to allow changes to the program as follows:

- Allow the origination of conventional mortgage loans that meet the requirements of the Fannie Mae “HFA Preferred Program.” Please see the attached program summary.
- Allow the Department to absorb up to ½ point of fees related to the origination of the HFA Preferred Product. These fees are charged by Fannie Mae and US Bank and would be borne by the borrower in the alternative.
- Approve a revised Schedule “A” (including Exhibit’s “B” & “C”) to the Servicing Agreement. Please see the attached Schedule. Items of note would be the inclusion of the 45% DTI requirement and the adjustment of servicing release premium amounts to absorb a \$100 increase in the Funding Fee. This fee is charged by US Bank and would be borne by the borrower in the alternative.
- Amend the Servicing Agreement in order to clarify US Bank’s commitment to follow the recently enacted changes to the CFPB guidelines as they relate to mortgage lending.

HFA Preferred™

Fact Sheet

Overview: Fannie Mae's HFA Preferred enables eligible state Housing Finance Agencies (HFAs) to deliver loans with up to 97% loan-to-value (LTV) ratio with low mortgage insurance coverage requirements. HFA Preferred does not require minimum contribution from the borrower's own funds for one-unit properties and is ideal for borrowers with limited funds for down payment and closing costs and those needing extra flexibilities on credit, income sources, or access to special options.

PARAMETER	FANNIE MAE REQUIREMENT
Pricing Terms	No Loan Level Price Adjustments
Adverse Market Delivery Charge	Due at delivery (0.25%)
Eligible Products	Fully-amortizing (FA), Fixed Rate Mortgages (FRM) including MyCommunityMortgage® (MCM®) Mortgages and Freddie Mac Home Possible Mortgages (with approval): FA-FRM: Per Selling Guide with terms greater than 15 years but not exceeding the maximum term permitted for MyCommunityMortgage®
Eligible Occupancy	Owner occupied
Eligible Purpose	Purchase, limited cash out refinances
Desktop Underwriter® (DU®)	HFA Preferred is available through DU using the "Additional Data" screen; select "HFA Preferred." A DU recommendation of Approve/Eligible is eligible for DU's Limited Waiver of reps and warrants. Qualifying ratios, reserves, and income requirements are determined by DU.
Maximum LTV/CLTV (DU)	<ul style="list-style-type: none"> • One-unit: 97% / 105% • 2-4 units: 95% / 105%
Manual Underwriting	Permitted. HFA may manually underwrite an HFA Preferred Mortgage even if such Mortgage was previously submitted to DU.
Manual Underwriting Criteria	Per the requirements of the Eligibility Matrix and any other terms required in the Selling Guide, including borrowers with non-traditional credit.
Minimum Borrower Contribution	<ul style="list-style-type: none"> • One-unit: \$0 • 2-4 units: 3%
Subordinate Financing	Community Seconds® only
Eligible Property Types	<ul style="list-style-type: none"> • 1-4 unit dwellings • Planned Unit Developments

PARAMETER	FANNIE MAE REQUIREMENT
	<ul style="list-style-type: none"> • Approved condos • No manufactured housing or co-ops
Income Requirements	<ul style="list-style-type: none"> • The maximum Area Median Income (“AMI”) limit shall be the greater of: <ul style="list-style-type: none"> ○ Per Selling Guide (Chapter B5-6-02, MyCommunityMortgage Loan and Borrower Eligibility); or ○ the limits established by a the HFA
Mortgage Insurance	<ul style="list-style-type: none"> • 18% for LTVs > 95% and <= 97% • 16% for LTVs > 90% and <= 95% • 12% for LTVs > 85% and <= 90% • 6% for LTVs > 80% and <= 85%
Housing Goals	50% of all loans delivered must meet at least one Fannie Mae housing goal
Interested Party Contributions	Per the Selling Guide, standard requirements apply: <ul style="list-style-type: none"> • 3% max for CLTV greater than 90% • 6% max for CLTV less than or equal to 90%
Home Buyer Education	Per Selling Guide or HFA homebuyer education requirements
Special Feature Code (SFC)	In addition to other SFCs that may apply, SFC 358 should be used to identify all HFA Preferred loans. SFC 088 should be used along with 358 to identify HFA Preferred loans that will be delivered as MRB-MBS loans.

Any Variance, Special Requirement or nonstandard MBS Contract may be amended or terminated with notice to Lender in accordance with the provisions of the Selling Guide.

Schedule A - MORTGAGE LOAN PRICING – FLAT FOUR MONTH PRICING

The Service Release Premium (SRP) paid by the Servicer to the Issuer will be based on a comparison of the last four months of Issuer reservations evaluating weighted average Note Rates under the Issuer's program versus the Fannie Mae average rates to establish weighted average spread to market for the same time period as shown in Exhibit A.

Exhibit B indicates the fixed SRP slotting by service fee for the four month period. The SRP slotting will be effective for MSB pool settlements for the specified four month time frame as shown in Exhibit C. The Issuer's weighted average spread to market for the Pricing Grid will be established approximately 90 days prior to the initial four month flat pricing, and prior to each subsequent four month change. Exhibit C also discloses specific fees and credit criteria for the program.

The current market interest rate is defined as the Fannie Mae 30-year Fixed Rate 90 Day Required Net Yield* plus 0.250%, rounded to the nearest 0.125%.

*Link <https://www.fanniemae.com/singlefamily/historical-daily-required-net-yields>

With respect to the acquisition of Mortgage Loans and the sale of Mortgage Backed Securities to the Department or to an approved counterparty designated by the Department or the Custodian, as a result of adverse market conditions, the Servicer may renegotiate and/or restructure current pricing, and/or change credit terms and/or fees as stated and contained in Schedule A, Exhibit B and C of this Servicing Amendment. Changes may be made at any time with a 30 day notice to the Department, unless a shorter time frame is mandated by any Regulatory Agency.

Schedule A - MORTGAGE LOAN PRICING – FLAT FOUR MONTH PRICING

Exhibit A HFA & FNMA Rate Comparisons

	Texas Dept TDHCA			Monthly Average FNMA Required Net Yield			Over (Under)
	DATE	UPB \$000	Rate	90-DAY	Add on	RNY+.25	
	Nov-13	25,087	4.653%	3.955%	0.25%	4.205%	0.449%
	Dec-13	18,440	4.787%	4.210%	0.25%	4.460%	0.327%
	Jan-14	16,870	4.855%	4.144%	0.25%	4.394%	0.461%
	Feb-14	19,231	4.750%	4.007%	0.25%	4.257%	0.493%
Weighted Averages			4.750%			4.316%	0.434%

Exhibit B

Texas Dept TDHCA Pricing Grid

Note Rates Brackets		FHA 44	FHA 19	FHA 31.5	FHA 56.5	Conv 25
From	To					
1.251%	1.250%	0.0	0.0	0.0	0.0	0.0
1.001%	1.000%	99.0	13.0	55.0	134.0	32.0
0.751%	1.000%	109.0	17.0	61.0	147.0	40.0
0.501%	0.750%	123.0	22.0	70.0	164.0	46.0
0.251%	0.500%	135.0	26.0	78.0	179.0	54.0
0.000%		146.0	30.0	86.0	193.0	63.0
-0.500%	-0.251%	151.0	31.0	89.0	200.0	67.0
-0.750%	-0.501%	156.0	33.0	92.0	207.0	71.0
-1.000%	-0.751%	160.0	34.0	94.0	212.0	74.0
-1.250%	-1.001%	162.0	33.0	96.0	215.0	76.0
-1.002%	0.000%	162.0	33.0	96.0	215.0	76.0

Exhibit C

Shaded line is FIXED SRP for four month settlement period.							
Price effective for settlements with Issue Dates of 6/1/2014 thru 9/1/2014							
		FHA 44	FHA 19	FHA 31.5	FHA 56.5	Conv 25	FN 97 LTV
Spread to market	0.434%	135	26	78	179	54	22
VA's		78	(31)	21	122		

Funding fee	\$ 150	Minimum Fico - 640
Tax Service fee	\$ 85	Maximum DTI - 45%
Amortizing 2nd Fee	\$ 175	Exceptions:

*DTI's greater than 45% up to a max of 50% require a min FICO of 660
Conventional loans in excess of 95% LTV require a min FICO of 680*

SRP has been reduced by 7bps to account for additional \$100 FF being paid by TDHCA (total ff \$250)

** Next notification date 6/2014 for settlements with issue dates 10/1/2014 thru 1/1/2014*

RESOLUTION NO. 14-020

RESOLUTION APPROVING AMENDMENTS TO SERVICING AGREEMENT FOR TAXABLE MORTGAGE PURCHASE PROGRAM; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS RELATING TO THE FOREGOING; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Act authorizes the Department (a) to purchase notes and other obligations evidencing loans or interests in loans for individuals and families of low and very low income and families of moderate income and (b) to sell, at public or private sale, with or without public bidding, a mortgage or other obligation held by the Department; and

WHEREAS, pursuant to Resolution No. 13-003 adopted September 6, 2012, the Governing Board approved: (1) a taxable mortgage purchase program (the "Program") to fund all or a portion of the Department's single family loan production, (2) the Master Mortgage Origination Agreement (the "Master Mortgage Origination Agreement") for the Department's single family mortgage purchase programs, and (3) the Servicing Agreement between the Department and U.S. Bank National Association (the "Servicer") (the "Servicing Agreement" and collectively with the Master Mortgage Origination Agreement, the "Program Documents"); and

WHEREAS, pursuant to Resolution No. 13-038 adopted on June 13, 2013, the Governing Board approved (1) the First Amendment to Master Mortgage Origination Agreement (the "First Amendment to MOA") for the Department's single family mortgage purchase programs and (2) the First Amendment to Servicing Agreement between the Department and the Servicer (the "First Amendment to Servicing Agreement") to conform to the requirements of HUD Mortgagee Letter 2013-14 relating to requirements for secondary financing provided by a state government; and

WHEREAS, pursuant to Resolution No. 14-008 adopted on December 12, 2013, the Governing Board authorized modification of the Program Documents to the extent necessary to comply with rules of the Consumer Financial Protection Bureau ("CFPB") and the Department of Housing and Urban Development ("HUD") and proposed federal regulations under the Dodd-Frank Act ("Dodd-Frank") with respect to qualified mortgages and the limit on points and fees that can be charged for such mortgages; and

WHEREAS, the Governing Board desires to amend the Servicing Agreement, as amended by the First Amendment to Servicing Agreement, in order to incorporate modifications to comply with Dodd-Frank and to amend the amount of servicing release premium ("SRP") paid by the Servicer in connection with the purchase of a mortgage loan from a mortgage lender under the Program; and

WHEREAS, the Governing Board authorizes the Department to pay up to 50 basis points of origination fees charged by Fannie Mae and the Servicer related to the origination of the HFA Preferred Product; and

WHEREAS, the Governing Board also desires to authorize the execution and delivery of a Second Amendment to Servicing Agreement between the Department and the Servicer, in substantially the form attached hereto (the "Second Amendment to Servicing Agreement);

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

ARTICLE 1

APPROVAL OF DOCUMENTS AND CERTAIN ACTIONS

Section 1.1 Approval of Second Amendment to Servicing Agreement. The form and substance of the Second Amendment to Servicing Agreement are hereby approved and the Authorized Representatives are each hereby authorized to execute the Second Amendment to Servicing Agreement and to deliver the Second Amendment to Servicing Agreement to the Servicer.

Section 1.2 Authorization to Pay Origination Fees. The Department is authorized to pay up to 50 basis points of origination fees relating to the origination of the HFA Preferred Product.

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

Section 1.4 Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the Authorized Representatives are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such Authorized Representative may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the Authorized Representatives.

Section 1.5 Exhibits Incorporated Herein. All of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit A - Second Amendment to Servicing Agreement

Section 1.6 Authorized Representatives. The following persons are hereby named as Authorized Representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Governing Board, the Executive Director of the Department, the Director of Bond Finance of the Department, the Director of Texas Home Ownership of the Department, the Director of Multifamily Finance of the Department and the Secretary or any Assistant Secretary to the Governing Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Representatives is authorized to act individually as set forth in this Resolution.

ARTICLE 2

GENERAL PROVISIONS

Section 2.1 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Governing Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with §2306.032 of the Texas Government Code, regarding meetings of the Governing Board.

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

(EXECUTION PAGE FOLLOWS)

PASSED AND APPROVED this 10th day of April, 2014.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

1m

BOARD ACTION REQUEST

LEGAL SERVICES

APRIL 10, 2014

Presentation, Discussion, and Possible Action on the adoption of an Agreed Final Order regarding Trails Redevelopment d/b/a Spanish Creek Apartments (HTC FILE # 93173)

RECOMMENDED ACTION

WHEREAS, Spanish Creek Apartments in Dallas, Dallas County, Texas, owned by Trails Redevelopment, LP., has a history of uncorrected violations of the applicable land use restriction agreement;

WHEREAS, on February 25, 2014, Paul Ramirez, representing Spanish Creek Apartments, met with the TDHCA Administrative Penalty Committee and agreed, subject to Board approval, to enter into an Agreed Final Order with the following requirements:

1. Trails Redevelopment, L.P. is assessed an administrative penalty in the total amount of \$15,260, to be paid on or before May 12, 2014;
2. All outstanding violations must be corrected and sufficient evidence of correction must be submitted to TDHCA as indicated in the Agreed Final Order on or before May 12, 2014; and
3. If outstanding violations are not fully resolved and sufficient evidence of the corrections have not been submitted within the established timeline, the Administrative Penalty Committee will consider an additional penalty recommendation to be made to the Board.

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

NOW, therefore, it is hereby

RESOLVED, that the Agreed Final Order assessing a \$15,260 administrative penalty as outlined above for noncompliance at Spanish Creek Apartments, substantially in the form presented at this meeting, and including any non-substantive technical corrections, is hereby adopted as the order of this Board.

BACKGROUND

Trails Redevelopment, LP is the owner of Trails Redevelopment d/b/a Spanish Creek Apartments, a 302-unit apartment complex located in Dallas, Dallas County, Texas, which is subject to a land use restriction agreement ("LURA") signed in 1995 in consideration for an annual allocation of housing tax credits in the amount of \$281,076 awarded by TDHCA.

Despite numerous attempts by the Compliance Division, Legal Division, and Administrative Penalty Committee to obtain corrective action, Spanish Creek Apartments has been unable to operate the property in compliance with LURA requirements. TDHCA's Administrative Penalty Committee ("Committee") set an informal conference for September 2012 and the property sent a property manager but did not send a representative authorized to negotiate a settlement on behalf of Trails Redevelopment, LP. The Committee indicated that a penalty would be recommended and requested a written plan from an authorized representative. They also recommended that the property send their on-site management staff to training.

The written plan was received and the Committee set a deadline of December 31, 2012 to resolve all file monitoring and uniform physical condition standards violations, with the understanding that the recommended penalty amount would be dependent upon whether the violations were fully resolved. The physical violations were resolved within the required period. There were numerous file monitoring violations, so the Compliance Division went on-site to check those on January 11, 2013. They were unable to verify correction of all file monitoring violations. Further technical assistance was provided during the on-site review, and a monitoring letter was sent to provide detailed instructions regarding how to resolve each remaining violation.

The Committee discussed the property again and indicated that the Compliance Division would perform an additional follow-up monitoring review after February 26, 2013 to confirm resolution of the remaining violations, and that the recommended penalty amount would take into account if full corrections were not made. A second follow-up on-site review was conducted on July 13, 2013, but TDHCA was still unable to verify full correction. A monitoring letter was sent to provide detailed instructions and the property submitted files for review, but the majority of the requested documentation was incomplete and/or missing.

Current violations for which satisfactory evidence of corrective action has not been provided include:

1. Household income above limit upon initial occupancy for units 1050, 2087, and 2135;
2. Failure to provide Annual Eligibility Certification for units 1011, 1026, 1037, 1068, 1125, 1132, 1148, 1151, 2075, 2093, 2100, 2148, and 2156;
3. Failure to submit Part A of the 2011 Annual Owner's Compliance Report;
4. Failure to complete the Fair Housing Disclosure Notice for units 1148, 2093, and 2157.

An authorized representative for Trails Redevelopment, LP met with the Committee on February 25, 2014. The representative indicated that the property had recently hired a consultant to train on-site staff and audit all tenant files. The representative and Committee members agreed that a penalty in the amount of \$15,260 would be appropriate and that full corrective documentation must be submitted on or before May 12, 2014.

Owner representatives are also affiliated with the following properties monitored by TDHCA:

1. Spanish Park Apartments (HTC 93038 / CMTS 2304), which recently signed an Agreed Final Order approved by the Board;
2. Lakewood Villas (HTC 93152 / CMTS 1183), which was foreclosed by its lender in 2012, eliminating TDHCA's tax credit LURA.

Consistent with direction from the Department's Administrative Penalty Committee, a penalty in the amount of \$15,260 is recommended, to be paid on or before May 12, 2014.

ENFORCEMENT ACTION AGAINST
TRAILS REDEVELOPMENT, LP
WITH RESPECT TO TRAILS
REDEVELOPMENT D/B/A
SPANISH CREEK APARTMENTS
(HTCFILE # 93173)

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BEFORE THE
TEXAS DEPARTMENT OF
HOUSING AND
COMMUNITY AFFAIRS

AGREED FINAL ORDER

General Remarks and official action taken:

On this 10th day of April, 2014, the Governing Board (“Board”) of the Texas Department of Housing and Community Affairs (“TDHCA”) considered the matter of whether enforcement action should be taken against TRAILS REDEVELOPMENT, LP, a Texas limited partnership (“Trails” or “Respondent”).

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

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

FINDINGS OF FACT

Jurisdiction:

1. The Department has jurisdiction over this matter pursuant to Tex. Gov’t Code §§2306.041-.0503, and 10 TEX. ADMIN. CODE § 1.14, and 10 TEX. ADMIN. CODE Chapter 60.
2. On February 28, 1995, Northern Trails Apartments, Ltd (“Prior Owner”) was awarded an allocation of Low Income Housing Tax Credits by the Board, in an annual amount of \$281,076 to build and operate Spanish Creek Apartments (“Property”) (HTC file No. 93173 / CMTS No. 2326 / LDLD No. 58).
3. Prior Owner signed a land use restriction agreement (“LURA”) regarding the Property. A second corrected LURA was effective February 28, 1995, and filed of record at Volume 96067, Page 01510 of the Official Public Records of Real Property of Dallas County, Texas (“Records”) on April 4, 1996, replacing two previous versions that were

filed without required exhibits. In accordance with Section 2 of the LURA, the LURA is a restrictive covenant/deed restriction encumbering the property and binding on all successors and assigns for the full term of the LURA.

4. Respondent took ownership of the Property and signed an agreement with TDHCA to assume the duties imposed by the LURA and to comply fully with the terms thereof (Agreement to Assume and Comply), effective March 31, 2005, and filed the same in the Records at Volume 2005063, Page 00134, thereby binding Respondent to the terms of the LURA.
5. Respondent is a Texas limited partnership that is approved by TDHCA as qualified to own, construct, acquire, rehabilitate, operate, manage, or maintain a housing development that is subject to the regulatory authority of TDHCA.

Compliance Violations¹:

6. A Uniform Physical Condition Standards ("UPCS") inspection was conducted on December 19, 2005. Inspection reports showed numerous serious property condition violations, a violation of 10 TEX. ADMIN. CODE § 60.1(m) (Compliance Monitoring Policies and Procedures: Inspection Standard). Reports were mailed to Respondent and, in conformance with 10 TEX. ADMIN. CODE § 60.1(n) (Compliance Monitoring Policies and Procedures: Notices to Owner), as amended, a 90-day corrective action deadline of June 1, 2006 was set to provide Respondent a reasonable opportunity to respond to the report and bring the property into compliance. Full corrective documentation was not received until December 20, 2011, after intervention by the Administrative Penalty Committee.
7. An on-site monitoring review was conducted between December 11-12, 2008, to determine whether Respondent was in compliance with LURA requirements, including but not limited to the requirement to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and corrective documentation was submitted for review, however, the following violations were not corrected before the April 30, 2009 corrective action deadline:
 - a. Respondent failed to provide documentation that household incomes were within prescribed limits upon initial occupancy for six units, a violation of 10 TEX. ADMIN. CODE §60.108 (Determination, Documentation and Certification of Annual Income) and the LURA;

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

- b. Respondent collected gross rents that exceeded income limits as a result of an unsupported \$40 application fee charged to 143 units, a violation of 10 TEX. ADMIN. CODE § 60.118 (Special Rules Regarding Rents and Rent Limit Violations). TDHCA publishes maximum rent limits for the tax credit program annually and owners are responsible for ensuring that the maximum rents that they charge include the amount of rent paid by the household, plus an allowance for utilities, plus any mandatory fees. Application fees can only be charged for the actual cost of checking a prospective tenant's income, credit history and landlord references and owners are required to support the fees with invoices. Respondent was only able to provide invoices supporting a \$10.25 portion of the \$40 application fee; and
- c. Respondent failed to provide an affirmative marketing plan, a violation of 10 TEX. ADMIN. CODE §60.112 (Requirements Pertaining to Households with Rental Assistance).

The final household income violation was corrected on November 18, 2011, after intervention by the Administrative Penalty Committee.

The gross rent violation was corrected on June 19, 2009.

The affirmative marketing violation was corrected on December 1, 2012, after intervention by the Administrative Penalty Committee.

8. A Uniform Physical Condition Standards ("UPCS") inspection was conducted on May 1, 2009. Inspection reports showed numerous serious property condition violations, a violation of 10 TEX. ADMIN. CODE § 60.116 (Property Condition Standards). Reports were mailed to Respondent and, in conformance with 10 TEX. ADMIN. CODE § 60.117 (Notice to Owners), as amended, a 90-day corrective action deadline of September 28, 2009 was set to provide Respondent a reasonable opportunity to respond to the report and bring the property into compliance. Full corrective documentation was not received until December 20, 2011, after intervention by the Administrative Penalty Committee.
9. An on-site monitoring review was conducted on November 15, 2011, to determine whether Respondent was in compliance with LURA requirements, including but not limited to the requirement to lease units to low income households and maintain records demonstrating eligibility. The monitoring review found violations of the LURA and TDHCA rules. Notifications of noncompliance were sent and multiple corrective submissions were submitted for review, however, the following violations were not corrected before the May 7, 2012 corrective action deadline:
 - a. Respondent failed to provide documentation that household incomes were within prescribed limits upon initial occupancy for units 1050, 1094, 1153, 2087, and 2127, a violation of 10 TEX. ADMIN. CODE §60.108 (Determination, Documentation and Certification of Annual Income) and the LURA. A further violation was identified on August 16, 2013 for unit 2135 after the Department reviewed corrective documentation relating to the Annual Eligibility Certification violation listed below.

- b. Respondent failed to maintain or provide Annual Eligibility Certifications for 173 units, a violation of 10 TEX. ADMIN. CODE §60.108 (Determination, Documentation and Certification of Annual Income), 10 TEX. ADMIN. CODE §60.111 (Annual Recertification for All Programs), and the LURA.

The household income violation for two units were corrected between May 22, 2012 and 2014, but the violations for units 1050, 2087, and 2135 remain uncorrected.

The Annual Eligibility Certification violations were resolved for 148 units between May 4, 2012 and January 27, 2014 after multiple follow-up on-site reviews and corrective submissions, but the violations remain unresolved for the following 14 units: 1011, 1026, 1037, 1068, 1125, 1132, 1148, 1151, 2075, 2093, 2100, 2148, and 2156.

10. A Uniform Physical Condition Standards ("UPCS") inspection was conducted on January 25, 2012. Inspection reports showed numerous serious property condition violations, a violation of 10 TEX. ADMIN. CODE § 60.118 (Property Condition Standards). Reports were mailed to Respondent and, in conformance with 10 TEX. ADMIN. CODE § 60.119 (Notice to Owners), as amended, a 90-day corrective action deadline of July 23, 2012 was set to provide Respondent a reasonable opportunity to respond to the report and bring the property into compliance. Full corrective documentation was not submitted until December 17, 2012, after intervention by the Administrative Penalty Committee.
11. On May 23, 2012, TDHCA sent notice that Respondent had failed to timely submit their 2011 Annual Owner's Compliance Report, a violation of 10 TEX. ADMIN. CODE §60.105 (Reporting Requirements), which requires each development to submit an Annual Owner's Compliance Report.

Parts B, C, and D were submitted between May 24, 2012 and May 30, 2012, but Part A remains outstanding.
12. After an informal conference with the Administrative Penalty Committee and after the Department had provided technical support, an on-site monitoring review was conducted on January 11, 2013, to determine whether Respondent had fully resolved prior violations of LURA requirements to lease units to low income households and maintain records demonstrating eligibility. TDHCA was unable to verify correction of all violations. Further technical support was given during the on-site review, then a monitoring letter was sent to provide detailed technical support regarding each unresolved violation. In that letter, TDHCA indicated its intention to perform an additional monitoring review after February 26, 2013 to confirm resolution of the remaining violations.

13. A second on-site monitoring review was conducted on July 12, 2013, to determine whether Respondent had fully resolved prior violations of LURA requirements to lease units to low income households and maintain records demonstrating eligibility. TDHCA was again unable to verify correction of all violations and there were additional findings for failure to execute the required Fair Housing Disclosure Notice prior to move-in for units 1148, 2093, and 2157. A monitoring letter was sent to provide detailed technical support regarding each unresolved violation and additional corrective documentation was submitted, but full resolution has not been achieved.

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

- a. Household income violations for units 1050, 2087, and 2135, as described in FOF #9(a);
- b. Annual Eligibility Certification violations for units 1011, 1026, 1037, 1068, 1125, 1132, 1148, 1151, 2075, 2093, 2100, 2148, and 2156, as described in FOF #9(b);
- c. 2011 Annual Owner's Compliance Report, as described in FOF #11; and
- d. Fair Housing Disclosure Notice for units 1148, 2093, and 2157, as described in FOF #13.

CONCLUSIONS OF LAW

1. The Department has jurisdiction over this matter pursuant to Tex. Gov't Code §§2306.041-.0503, 10 TAC §1.14 and 10 TAC, Chapter 60.
2. Respondent is a "housing sponsor" as that term is defined in Tex. Gov't Code §2306.004(14).
3. Pursuant to IRC §42(m)(1)(B)(iii), housing credit agencies are required to monitor for noncompliance with all provisions of the IRC and to notify the Internal Revenue Service of such noncompliance.
4. Respondent violated representations made on page 1 of the LURA, Section 4 of the LURA and 10 TEX. ADMIN. CODE §60.108 in 2009 and 2011, by failing to provide documentation that household incomes are within prescribed limits upon initial occupancy. The following units remain in violation: 1050, 2087, and 2135.
5. Respondent violated 10 TEX. ADMIN. CODE §60.108 and 10 TEX. ADMIN. CODE §60.111 in 2011, by failing to maintain or provide Annual Eligibility Certifications. The following units remain in violation: 1011, 1026, 1037, 1068, 1125, 1132, 1148, 1151, 2075, 2093, 2100, 2148, and 2156.

6. Respondent violated 10 TEX. ADMIN. CODE § 60.1(m) in 2005, 10 TEX. ADMIN. CODE § 60.116 in 2009, 10 TEX. ADMIN. CODE § 60.118 in 2012, and I.R.C. §42, as amended, by failing to comply with HUD's Uniform Physical Condition Standards when major violations were discovered and not timely corrected.
7. Respondent violated 10 TEX. ADMIN. CODE § 60.105 in 2012 by failing to submit Annual Owner's Compliance Reports for the year 2011. Part A remains outstanding;
8. Respondent violated 10 TEX. ADMIN. CODE § 60.118 in 2008 by charging excessive application fees resulting in gross rents exceeding the allowable limits, and not making timely corrections once the violations were discovered;
9. Respondent violated 10 TEX. ADMIN. CODE § 60.112 in 2008 by failing to provide an affirmative marketing plan;
10. Because Respondent is a housing sponsor with respect to the Property, and has violated TDHCA rules and agreements, the Board has personal and subject matter jurisdiction over Respondent pursuant to TEX. GOV'T CODE §2306.041 and §2306.267.
11. Because Respondent is a housing sponsor, TDHCA may order Respondent to perform or refrain from performing certain acts in order to comply with the law, TDHCA rules, or the terms of a contract or agreement to which Respondent and TDHCA are parties, pursuant to Tex. Gov't Code §2306.267.
12. Because Respondent has violated rules promulgated pursuant to Tex. Gov't Code Chapter 2306 and has violated agreements with the Agency to which Respondent is a party, the Agency may impose an administrative penalty pursuant to TEX. GOV'T CODE §2306.041.
13. An administrative penalty of \$15,260 is an appropriate penalty in accordance with 10 TAC §§60.307 and 60.308.

[Remainder of page intentionally blank]

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

IT IS HEREBY ORDERED that Respondent is assessed an administrative penalty in the amount of \$15,260.

IT IS FURTHER ORDERED that Respondent shall pay and is hereby directed to pay the full assessed administrative penalty by cashier's check payable to the "Texas Department of Housing and Community Affairs" on or before May 12, 2014.

IT IS FURTHER ORDERED that Respondent shall correct the file monitoring violations as indicated in Attachments 1, 2, and 3, and submit full documentation of the corrections to TDHCA on or before May 12, 2014.

IT IS FURTHER ORDERED that if Respondent fails to satisfy any conditions or otherwise violates any provision of this order, then the Administrative Penalty Committee may reconvene to consider an additional penalty recommendation to be made to the Board in accordance with Tex. Gov't Code §§2306.041-.0503, 10 TEX. ADMIN. CODE § 1.14, and 10 TEX. ADMIN. CODE Chapter 60.

IT IS FURTHER ORDERED that corrective documentation must be uploaded to the Compliance Monitoring and Tracking System ("CMTS"), emailed to Ysella Kaseman at ysella.kaseman@tdhca.state.tx.us or mailed to one of the addresses below. The penalty payment must be submitted to the following address:

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

[Remainder of page intentionally blank]

Attachment 1

File Monitoring Instructions:

1. Submit signed Fair Housing Disclosure Notices for units 1148, 2093, and 2157, no more than 120 days and no less than 30 days prior to the date that each household is legally obligated to provide written notice of their intention to terminate or renew their lease. The form is available online at: <http://www.tdhca.state.tx.us/pmcdocs/FairHousingChoiceDisclosureNotice.pdf>.
2. Submit the following fully acceptable file monitoring documentation on or before May 12, 2014:
 - a. Part A of the 2011 Annual Owner's Compliance Report;
 - b. Household income violations for units 1050, 2087, and 2135, as indicated below;
 - c. Annual Eligibility Certification violations for units 1011, 1026, 1037, 1068, 1125, 1132, 1148, 1151, 2075, 2093, 2100, 2148, and 2156, as indicated below.

Circumstance with respect to units listed above	Required Action
If unit is occupied by a qualified household	Follow the instructions that are outlined for each unit in Attachments 2 and 3. If the circumstances outlined in the instruction letter at Attachment 3 no longer exist, follow the instructions below.
If unit was occupied by a new qualified household after February 21, 2014 (date of the last documentation submission to TDHCA)	Submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Fair Housing Choice Disclosure Notice.
If unit is occupied by a nonqualified household on a month-to-month lease	<ol style="list-style-type: none">1. Follow your normal procedures for terminating residency and provide a copy of documentation to TDHCA.2. As soon as the unit is occupied by a qualified household, you must submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum and Fair Housing Choice Disclosure Notice. Receipt after May 12, 2014 is acceptable for this circumstance provided that Requirement 1 is fulfilled.
If unit is occupied by a nonqualified household with a non-expired lease	<ol style="list-style-type: none">1. Issue a nonrenewal notice to tenant and provide a copy to TDHCA.2. As soon as the unit is occupied by a qualified household, you must to submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum, and Fair Housing Choice Disclosure Notice. Receipt after May 12, 2014 is acceptable for this circumstance provided that Requirement 1 is fulfilled.

If unit is vacant	<ol style="list-style-type: none">1. Unit must be made ready for occupancy and a letter certifying to that effect must be submitted to TDHCA.2. As soon as the unit is occupied by a qualified household, you must submit the full tenant file, including the tenant application, verifications of all sources of income and assets, tenant income certification, lease, lease addendum and Fair Housing Choice Disclosure Notice. Receipt after May 12, 2014 is acceptable for this circumstance provided that Requirement 1 is fulfilled.
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Attachment 2:

Tenant file guidelines

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

1. **Intake Application:** Although the Department does not have a required form to screen households, we strongly suggest this form be used. It is required that households be screened for household composition, income and assets. Applicants must complete all blanks on the application and answer all questions. Any lines left intentionally blank should be marked with "none" or "n/a." The application must be signed and dated by all adult household members, using the date that the form is actually completed. Files previously reviewed on-site contained information indicating the presence of additional adult household members that were not reported or screened. The Department recommends that property staff implement procedures to obtain accurate household composition information.
2. **Verify Income:** Employment income must be documented with paystubs or payroll print-outs that show gross income. Please also obtain benefit statements for all other income such as child support, social security, or unemployment benefits.

Tenant affidavits regarding their employment income are not acceptable unless:

- A. Tenant is paid in cash;
- B. You can provide good cause for allowing an exception for a unit, including documentation regarding your efforts to verify the self-reported information by another method; and
- C. You receive specific permission from the file monitor assigned to the review, or the affidavit was requested by the file monitor in writing.

Files previously reviewed on-site contained employer letters and employment verification forms that may not have been completed by the employers. Therefore, although letters from employers and employment verification forms are typically acceptable methods to document employment income, these documents will not be accepted for Spanish Creek unless:

- A. You can provide good cause for allowing an exception for a unit, including documentation regarding your efforts to verify the self-reported information by another method; and
 - B. You receive specific permission from the file monitor assigned to the review, or the verification was requested by the file monitor in writing.
3. **Certification of Zero Income:** If an adult household member does not report any sources of income on the application, this form can be used to document thorough screening and to document the source of funds used to pay for rent, utilities, and/or other necessities.

4. **Verify Assets:** Regardless of their balance, applicants must report all assets owned, including assets such as checking or savings accounts. The accounts are typically disclosed on the application, but you must review all documentation from the tenant to ensure proper documentation of the household's income and assets. For instance, review the credit report (if you pull one), application, pay stubs and other documents to ensure that all information coincides and is consistent. Examples of ways to find assets that are frequently overlooked: Review pay stubs for assets such as checking and retirement accounts that the household may have forgotten to include in the application. These accounts must also be verified.

Format of verifications: If the total cash value of the assets owned by members of the household is less than \$5,000, as reported on the Intake Application, the TDHCA Under \$5,000 Asset Certification form may be used to complete documentation requirements for assets. If applicable, follow the instructions to complete one form per household that includes everyone's assets, even minors, and have all adults sign and date using the date that the form is actually completed. If this form is not or cannot be used, all assets must be verified by submitting either (1) first hand verifications such as bank statements, or (2) 3rd party verifications using the TDHCA Asset Verification form.

5. **Lease:** Must conform with TDHCA requirements and indicate a rent below the maximum rent limits, which can be found at <http://www.tdhca.state.tx.us/pmcomp/irl/index.htm> When calculating the rent, ensure that the tenant's rent, plus the utility allowance, plus any housing subsidies, plus any mandatory fees, are below the maximum limits set by TDHCA. 10 Tex. Admin. Code §10.613(a) prohibits the eviction or termination of tenancy of low income households for reasons other than good cause throughout the affordability period in accordance with Revenue Ruling 2004-82. In addition, 10 Tex. Admin. Code §10.613(e) prohibits HTC developments from locking out or threatening to lock out any development resident, or seizing or threatening to seize personal property of a resident, except by judicial process, for purposes of performing necessary repairs or construction work, or in case of emergency. The prohibitions must be included in the lease or lease addendum. The Texas Apartment Association has an affordable lease addendum that has incorporated this required language. If you are not a TAA member, you can draft a lease addendum using the requirements outlined above.

6. **Fair Housing Choice Disclosure Notice:** This is a new form that must be signed by all new adult applicants at the time of their application, and no more than 120 days prior to the effective date of their lease. This requirement pertains to all households taking initial occupancy, including households transferring within the same development.

If a household was not provided this notice prior to move in or transfer, the property must ensure that the form is signed no more than 120 days and no less than 30 days prior to the date that each household is legally obligated to provide written notice of their intention to terminate or renew their lease.

7. **NOTE - stop unnecessary transfers:** Spanish Creek has been transferring residents within the development and submitting the transferred residents' paperwork to TDHCA. Transfers within the development are allowed, however, they do not correct noncompliance. The units swap statuses and the noncompliance becomes associated with the now vacant unit.

Attachment 3

TDHCA instruction letter

(see attached)



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

BOARD MEMBERS
J. Paul Oxer, *Chair*
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Leslie Bingham-Escareño
Robert D. Thomas
J. Mark McWatters

March 27, 2014

Writer's direct phone # (512) 305-8860
Email: wendy.quackenbush@tdhca.state.tx.us

Patrick Gillean
Trails Redevelopment LP
Dallas, TX
tgillean@crossequities.com

RE: Spanish Creek Apartments

CMTS ID: 2326

Dear Mr. Gillean:

The Texas Department of Housing and Community Affairs (Department) has received documentation addressing the noncompliance identified during the follow up review conducted at Spanish Creek Apartments on July 12, 2013. The following determinations have been made:

The documents submitted correct the following issue:

- **Failure to maintain or provide Annual Eligibility Certification** - affecting units 1047, 1117, 2011, 2061, 2078, 2080, 2117, 2132, 2139, 2142, 2152 and 2157

The following issues remain outstanding:

- **Failure to maintain or provide Annual Eligibility Certification** – Units 1011, 2148, 1151, 2075, 1125, 2156, 1132, 2093, 1026, 1148, 1037, 1068 and 2100 remain in noncompliance.
 - In the letter dated January 27, 2014, a new certification was requested for the following units: 1011, 2148, 1151, 2075, 1125, 2156, and 1132. These units remain in noncompliance because the requested documentation was not sent.
 - Unit 1125 is out of compliance because the noncompliance associated with the household in unit 1094 transferred to unit 1125 when the household transferred.
 - Units 2093, 1026 and 1148 remain in noncompliance because they were occupied by new households; however, the documentation received did not evidence eligibility of the current household.
 - Units 1037 and 1068 remain in noncompliance because the households were certified with incomes above the applicable income limit.
 - Lastly, corrective action was not submitted for unit 2100.
- **Household income above income limit upon initial occupancy** remains uncorrected for units 1050, 2087, and 2135. Per management's response, the income of the households in units 2087 and 2135 exceeds the applicable limit. Unit 2087 has provided the development notice to vacate at the end of February 2014. Only partial corrective action was submitted for unit 1050 and the finding remains outstanding. See the following required corrective action listed below for each unit. Please note that the tenant's certification of



annual income submitted for several of the files was insufficient to document income. In addition, the tenant certification listed an anticipated annual income but did not describe the person's position, hours worked, pay frequency, employer or any anticipated changes to income, nor were the tenant certifications made under penalties of perjury. Evidence was not submitted of the development's attempts or efforts to verify and document employment income and it appears that most of the residents work for companies with payroll departments. The Department requests copies of pay stubs or a payroll print out from the employer for documentation of employment income.

The Department was unable to reasonably determine eligibility or the requested corrective action was not submitted:

- 1) **1050 Gonzalez:** UPDATE: Only partial corrective action was submitted which was a statement from the household. Submit all requested documentation. REASON: The car insurance provided in the file indicates two drivers, one of which is the child's father according to birth certificate. Please obtain a clarification on whether the father is living in the unit and provide documentation to support the statement (such as a utility bill or lease from current residence). Additionally, please obtain a statement from the resident regarding court ordered and non-court ordered child support and provide documentation to support the statement (verification from the Office of the Attorney General). Submit copies of all documents to the Department.
- 2) **1148 Marin:** UPDATE: A current employment verification was obtained instead of first hand documentation as requested. The new employment verification that was obtained from the same employer reflects a different hire date, a different the job title (Assistant Manager to Manager) and a decrease in income. Based on the discrepancies with the employment verifications, the Department has not accepted it as sufficient corrective action. Submit the requested documentation. REASON: A Verification of Employment was obtained and the form was an original without any back up documentation. CORRECTIVE ACTION: Please obtain pay stubs or a payroll print out that includes name of employer, name of employee, pay date or pay period, and gross income. Submit copies of all documents to the Department.
- 3) **2093 Hurtado:** REASON: The application states the head of the household is a Manager doing House Cleaning at her previous address. A word document indicating "Payroll" was submitted with no identifying information. It does not appear to be a print out from an employer's payroll system. The Department could not reasonably determine if Ms. Hurtado is self-employed or is working for a company. CORRECTIVE ACTION: Have the resident provide a statement of her employment circumstances. Please obtain pay stubs or a payroll print out that includes name of employer, name of employee, pay date or pay period, and gross income. If the resident is self employed, obtain a copy of her tax returns with applicable attachments. Submit copies of all documents to the Department.
- 4) **1151 Reyes:** REASON: His employment was verified with copies of hand written checks which were dated February 3, 2014 and February 7, 2014 (4 days apart). The application states he works in construction. The Department could not reasonably determine pay frequency. CORRECTIVE ACTION: Please obtain pay stubs (cancelled checks) or a payroll print out that includes name of the employer, name of employee, pay date or pay period, and gross income. Submit copies of all documents to the Department.
- 5) **2087 Jimenez:** UPDATE: Per management, the household has provided the property notice to vacate at the end of February 2014. CORRECTIVE ACION: Provide a copy of the household's move out disposition form to evidence the household is no longer living in the unit. Lease the unit to an eligible household. Submit the copies of the Application (with all blanks completed, signed and dated by all adults), first hand documentation of income (pay stubs, payroll print out, or benefit statement), asset documentation, executed Income Certification (signed and dated by all household members 18 or older), the 1st and 6th page of the lease contract, the Fair Housing Disclosure Notice and the Amenity and Supportive Service form executed in the required time frames.
- 6) **Units 2135, 1037 and 1068:** REASON: The households were certified with income above the applicable income limit. CORRECTIVE ACION: Unless there is a change in the household's circumstances, provide the households a non-renewal notice for the end of their lease contract. Submit a copy of the non-renewal notice and the lease contract to the Department. When the units are vacant, lease the units to an eligible household. Submit the copies of the Application (with all blanks completed, signed and dated by all adults),

first hand documentation of income (pay stubs, payroll print out, or benefit statement), asset documentation, executed Income Certification (signed and dated by all household members 18 or older), the 1st and 6th page of the lease contract and the Fair Housing Disclosure Notice and the Amenity and Supportive Service form executed in the required time frames.

- 7) **Units 1011, 1026, 1132, 1125, 2075, 2148, and 2156:** REASON: Evidence of the development's attempts and efforts to verify and document employment income was not provided. As corrective action, only a tenant certification of annual income was provided to document income. A review of the files indicates that all the above households work for companies that most likely have a payroll department or some acceptable way to verify income. CORRECTIVE ACION: Please obtain pay stubs or a payroll print out that includes name of employer, name of employee, pay date or pay period and gross income. Submit copies of all documents to the Department.

Please supply all requested documentation to the Electronic Document Attachment system through the development's Compliance Monitoring and Tracking System (CMTS) account on or before **May 12, 2014**. For instructions on how to use the attachment system, please see Attaching Documents to CMTS found on the Department's website. To access, on the home page, select "Support and Services" tab; then select "Compliance". From the submenu, select "Online Reporting". The Department will then determine whether or not the submitted materials sufficiently correct the noncompliance. Partial corrections are unacceptable and the Owner is responsible for ensuring that submissions are complete and satisfactorily address all findings. If there are questions, the Department urges you to contact the Compliance Monitor. Please note, findings that are not corrected within the corrective action period will be considered in future funding decisions. See 10TAC§1.5 for details.

Enclosed is a copy of the development's current Detail Findings and Corrective Action report, which has been updated to reflect the current status of corrected and uncorrected noncompliance issues. **Omitted from Agreed Order**

If you have any questions, please contact Wendy Quackenbush toll free in Texas at (800) 643-8204, directly at (512) 305-8860 or email: wendy.quackenbush@tdhca.state.tx.us.

Sincerely,

Wendy Quackenbush
Digitally signed by
Wendy Quackenbush
Date: 2014.03.27
13:49:07 -05'00'

Wendy Quackenbush
Manager, Compliance Monitoring

wmq

cc: Property Staff
Ysella Kaseman, TDHCA

1n

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action to approve a Land Use Restriction Agreement (“LURA”) Amendment for Parks at Wynnewood in Dallas (#95081/#93057)

RECOMMENDED ACTION

WHEREAS, Parks at Wynnewood Apartments received an award of 9% Housing Tax Credits in 1995 for the rehabilitation of 404 multifamily units targeted towards the general population in Dallas, Texas;

WHEREAS, the Board approved a 2013 competitive (9%) application for Wynnewood Family Housing (#13234), which is the second phase of a four phase re-development of the existing Parks at Wynnewood development;

WHEREAS, the applicant for Wynnewood Family Housing (#13234) is requesting a partial temporary suspension of the original existing LURA while construction of those units will result in vacant units as the family development ensues, and approval to permanently amend the original LURA upon construction completion to delete eight of the original residential buildings that are to be replaced with one new building which will comprise this phase of the Wynnewood Family Housing development;

WHEREAS, pursuant to 10 TAC §10.405(b), Board approval is required for any change that would result in a reduction in the number of Low-Income Units (albeit temporary in this case) and the Owner has complied with the amendment requirements in Texas Government Code §2306.6712 and 10 TAC §10.405(b); and,

WHEREAS, approval of the changes proposed does not negatively impact the long term viability of the original development or the amount of tax credits awarded;

NOW, therefore, it is hereby

RESOLVED, that the amendment of the Housing Tax Credit LURA for the Parks at Wynnewood is approved as presented to this meeting and the Executive Director and his designees are hereby, authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Parks at Wynnewood was approved in 1995 to rehabilitate a total of 404 multifamily units targeted toward the general population. In 2011 the Board approved a forward commitment for Wynnewood Seniors Housing development, which was the first phase of a four phase re-development of the 404-unit Parks at Wynnewood. This development exists on 48 acres and the owner has been working with the community to develop more income diverse multifamily and single family housing on the property. The tax credit application for phase one, Wynnewood Seniors, was clear that the proposed elderly development would be carved out of, and ultimately excluded from, the original existing Parks at Wynnewood development. The existing LURA for the Parks at Wynnewood required that 404 low income units must be in service and target the general population throughout the compliance period. However, construction of the approved Wynnewood Seniors development, which would require the demolition of some of the residential buildings and units, as well as a change in the target population, would be in conflict with the existing LURA. Therefore, the applicant requested and received a material LURA amendment and approval for a 24-month temporary suspension of the existing LURA. The applicant also requested and received approval for a change in the target population from general to elderly for a portion of the original site. The Board approved the applicant's request at its March 2011 meeting, and the LURA for the Parks at Wynnewood was ultimately amended to release the portion of the site dedicated to the new re-developed Wynnewood Seniors phase as well as to reduce the number of low income units required at the existing Parks at Wynnewood development.

The Board has since approved a 2013 competitive application for Wynnewood Family Housing (#13234), which is the second phase of the re-development of Parks at Wynnewood. The applicant is currently requesting an amendment similar to that which was approved for the first phase. In order to commence construction on the family development, it will be necessary to relocate some of the current tenants and demolish eight residential buildings and 22 existing units, which would place the Parks at Wynnewood in noncompliance with the current LURA. Therefore, the applicant is seeking approval for a temporary suspension of the existing Parks at Wynnewood LURA as it relates to the eight residential buildings and 22 multifamily units that will be demolished and is also requesting approval to release another portion (3.982 acres) of the remaining Parks at Wynnewood which will in turn be encumbered by a new LURA for the Wynnewood Family Housing development. The request further states that the owner should not be subject to the right of first refusal requirement of the LURA because only a portion of the development is being sold, and the sales agreement was entered into prior to the date of the First Amendment.

Discussions between staff and the applicant's counsel regarding the request concluded that a temporary suspension of the existing Parks at Wynnewood LURA would be necessary so that construction of the family phase would not place the property in noncompliance. However, staff does not believe that an ultimate release of the 3.982 acres from the existing LURA will be necessary since the new proposed family development will target the same population as the existing LURA requires. Additionally, any further amendment to the existing LURA would not be required except to amend for the eight residential buildings that will be demolished and replaced with the one new building that will encompass the new Wynnewood Family Housing

phase and to extend the term of the existing LURA to account for the tolled period. Both the existing/amended Parks at Wynnewood LURA and the new Wynnewood Family Housing LURA would run concurrently.

The owner has complied with the amendment and notification requirements under the Department's rule at Government Code §2306.6712 and 10 TAC §10.405(b) and is providing the opportunity for public input. The public hearing will be held at 6:30 p.m. on March 25, 2014.

Staff recommends approval, subject to no negative public comment received, to temporarily toll compliance monitoring of the existing Parks at Wynnewood (#95081) LURA for the eight buildings/22 units until construction is complete. Staff further recommends that upon expiration of the temporary tolling period, a permanent amendment to the Parks at Wynnewood LURA will be completed to delete and replace the eight residential buildings demolished during construction with the new residential building which will encompass the Wynnewood Family Housing development and extend the existing LURA for the period of time tolled.

COATS | ROSE

A Professional Corporation

TAMBA A. DULA
OF COUNSEL

tdula@coatsrose.com
Direct Dial
(713) 653-7322
Direct Fax
(713) 890-3918

March 7, 2014

By Email to raquel.morales@tdhca.state.tx.us

Ms. Raquel Morales
Senior Asset Manager – Asset Management
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78711-3941

RE: TDHCA # 95081/ 93057; Parks at Wynnewood, Dallas, Dallas County, Texas;
Request for Partial Release and Material LURA Amendment.

Dear Raquel:

This letter requests changes to the existing Declaration of Land Use Restrictive Covenants for Low-Income Housing Credits for Parks at Wynnewood (copy attached as Exhibit A), as amended by that certain First Amendment dated May 15, 2013, but to be effective as of December 5, 1995 (the “First LURA Amendment” - copy attached as Exhibit B). The Original LURA and the First LURA Amendment are sometimes hereafter collectively referred to as the “Current LURA.” The purpose of amending the Current LURA is to partially release from the original tract the 3.982 acres which is the development site for Wynnewood Family Housing (TDHCA # 13234). A new Land Use Restriction Agreement will be recorded against the 3.982 acres to reflect restrictions agreed to be imposed upon the Wynnewood Family Housing development pursuant to its 2013 Housing Tax Credit Application.

Wynnewood Family Housing (the “Family Development”) is the second phase of a redevelopment of Parks at Wynnewood. The process that we are requesting be adopted for amending the Current LURA and establishing a new Land Use Restriction Agreement for the Family Development was developed for the first phase of this redevelopment program.

The first phase was Wynnewood Seniors Housing (the “Seniors Development”) (TDHCA # 10044 / 11003) which was placed into service in December 2013. In order to construct the Seniors Development without being in default on the Original LURA, the 8.4528 acres Seniors Development site was partially released from the Original LURA (copy attached as Exhibit C).

3 East Greenway Plaza, Suite 2000 Houston, Texas 77046-0307
Phone: 713-651-0111 Fax: 713-651-0220
Web: www.coatsrose.com

The First LURA Amendment was then executed to (i) remove the buildings that were demolished in connection with the first phase of redevelopment, (ii) update the restrictions to reflect fewer units, and (iii) clarify that the Right of First Refusal applies to a sale of the Parks at Wynnewood Project after January 1, 2014. The Seniors Development site was restricted appropriately through the recordation of a Declaration of Land Use Restriction Agreement (copy attached as Exhibit D) consistent with the characteristics of the Seniors Development as proposed in its 2010 Housing Tax Credit Application. We request that this arrangement be used again in connection with the Family Development.

The Family Development is anticipated to close on equity and construction financing in May 2014. Wynnewood Family Housing, LP (“Project Owner”) will purchase the 3.982 acres from WCH Limited Partnership pursuant to a Purchase and Sale Agreement dated January 7, 2013, as amended by a First Amendment dated February 27, 2013, but to be effective as of January 7, 2013, and a Second Amendment dated effective October 31, 2013. We believe that the proposed sale of the Family Development site is not clearly subject to the Right of First Refusal as set out in the First LURA Amendment because (i) the proposed sale is of only a portion of the Parks at Wynnewood Project, and (ii) the Purchase and Sale Agreement was entered into prior to the date that the First LURA Amendment was signed. Accordingly, we think that the best way to handle the second phase of redevelopment is the same manner in which the first phase was accomplished: with a partial release of the 3.982 acres from the Current LURA, a new amendment to the Current LURA to update the number of units and buildings covered by it, and the execution of a new Land Use Restriction Agreement with regard to the 3.982 acres, to be recorded concurrently with the transfer of title to the site.

In this context, we are providing the following information, consistent with TDHCA requirements for requests for material LURA amendments:

- 1. Factors that give rise to the request:** The Family Development is the second phase in a planned redevelopment of the Parks at Wynnewood. Parks at Wynnewood was originally a 48-acre, 404-unit tax credit development serving the general population. It completed its 15-year Compliance Period on December 31, 2009. The Parks at Wynnewood consists of barrack-style apartments originally built in the 1940s and is now functionally obsolescent with upkeep becoming increasingly expensive. The phased redevelopment started with a 140-unit development for seniors that received a 2011 Forward Commitment of tax credits and was placed in service in December 2013. The second phase of the redevelopment received an allocation of 2013 Housing Tax Credits. It will provide modern affordable housing designed for 21st century living for 160 families, with one additional unit for a resident manager. In order to commence construction on the Family Development, it will be necessary to relocate current tenants and demolish 8 existing buildings (22 existing units). Such action would place the Parks at Wynnewood in noncompliance with the Current LURA.
- 2. Continuing compliance with applicable legal requirements:** The amendment requested will release the Family Development site from the Current LURA through a partial release. The Current LURA will also be amended to cover approximately 35.9739 acres, require 136 units of housing for general public use, and amend building

identification numbers accordingly. The number of units on the 35.9739 acre site to be occupied by residents at 50% of Area Median Gross Income (“AMGI”) will be changed from 30 to 14, and all of the remaining units at the 35.9739-acre site will be restricted to residents at 60% of AMGI. The Right of First Refusal in the Current LURA will still be required upon the sale of the 35.9739 acres left in the Existing Development. A new Land Use Restriction Agreement will be simultaneously recorded against the Family Development site, which will allow 24 months abeyance of restrictive covenants for tenant relocation, demolition and construction, and then will require that 160 units of housing be maintained for the General population over a new 15-year Compliance Period and an additional 27-year Extended Use Period (the 25-year Extended Use Period promised by the Senior Development’s tax credit application, plus an additional 2 years to compensate for the 24-month tenant relocation-demolition-construction period). The tenant income restrictions will be 10% (16 units) at 30% AMGI; 40% (64 units) at 50% AMGI; and the remaining 50% (80 units) at 60% AMGI. The Right of First Refusal promised in the Family Development’s tax credit application will also be included in the new LURA.

3. **Financial feasibility:** The Family Development’s updated financial projections were submitted to the TDHCA’s Real Estate Analysis division (“REA”) for review in connection with the Housing Tax Credit allocation. The Project Owner stands ready to provide any additional information that may be needed by REA.
4. **Operating projections including reserves:** The updated financial projections for the Family Development will include an operating reserve (required by the proposed lender) of six (6) months of operating expenses and debt service.
5. **Addressing the needs of affected tenants:** The Family Development site is not subject to the Uniform Relocation Act, however, the tenants will receive relocation assistance in accordance with City of Dallas requirements. At this time it is believed that all the tenants who will be relocated will be able to move into similar housing elsewhere on the Parks at Wynnewood site with the exception of one 60% AMGI tenant and one Housing Choice Voucher tenant. It is possible that additional units will become available to accommodate these tenants prior to commencement of demolition. The Tenant Relocation Plan has been provided to HUD, and the financials include a \$150,000 budget for relocation expenses.
6. **Addressing rights of first refusal:** The proposed conveyance of the Family Development site to the Project Owner would be a preferred conveyance under the TDHCA’s current procedure for implementing the Right of First Refusal, since the Project Owner will be a tax credit limited partnership that is administered by a sole general partner which is a subsidiary of City of Dallas Community Development Corporation, a certified CHDO. Additionally, the Right of First Refusal requirement for the remainder of the Parks at Wynnewood will remain effective, and the new Land Use Restriction Agreement for the Family Development will also contain a Right of First Refusal, as promised in the tax credit application.

7. **Addressing the length of the LURA:** The 1995 LURA will be in effect until December 31, 2032, which reflects an increase in term of two years, which was negotiated with the TDHCA when the first phase of redevelopment was under discussion. The new Land Use Restriction Agreement on the Family Development will be for a 37-year affordability period, representing 2 years during relocation-demolition-construction; and a 35-year Extended Use Period (per the tax credit application).

8. **The interest of the community and others:** Central Dallas Community Development Corporation and Banc of America Community Development Corporation (collectively, the "Sponsors") have hosted and participated in numerous public hearings and meetings to discuss the proposed redevelopment of Parks at Wynnewood as a whole – initially in connection with the first phase redevelopment of the Seniors development, and later through public comment opportunities afforded during charrettes hosted by the City of Dallas in connection with the Master Planning initiated in connection with the Family Development. The Sponsors have worked with Wynnewood North Neighborhood Association to solicit suggestions concerning land use and design in connection with the redevelopment. For the Family Development, the Sponsors met separately with Beckleywood Neighborhood Association because the Family Development site backs up against their area of interest. Additionally, the City Councilmember for District 1 in Dallas has been instrumental in assisting in the planning of the redevelopment project as a whole. Finally, a Public Hearing with regard to the proposed material LURA Amendment has been tentatively scheduled for Thursday, March 20, 2014, at 6:30 p.m. in the Wynnewood Service Center at 2006 Didsbury Circle, Dallas TX 75224, subject to TDHCA approval.

9. **Other matters:** If you have any questions concerning the above, or if any additional information is required, please do not hesitate to call.

Thank you for your consideration of this request. In the event that TDHCA Staff concurs with the suggested manner of amending the Current LURA, we would request confirmation that we should continue our approach in this manner.

Sincerely,



Tamea A. Dula

Exhibits A-D

cc: Brian L. Roop
Darren W. Smith
John P. Greenan
Barry J. Palmer

EXHIBIT A

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS FOR LOW-INCOME
HOUSING CREDITS**

Parks at Wynnewood

[See attached]

The Parks @ Wynnewood

8001 9431 000000 9484 3213071 57.00
57.00
12/28/75

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW-INCOME HOUSING CREDITS**

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS FOR LOW-INCOME HOUSING TAX CREDITS (this "Declaration"), dated as of 12-21-95, is made by and between _____ (together with its successors and assigns, the "Project Owner") and The Texas Department of Housing & Community Affairs, an instrumentality of the State of Texas and a public corporation (together with any successor to its rights, duties and obligations, the "Department"), and is given by Project Owner as a condition precedent to (the determination that the Project, as defined herein, satisfies the requirements of the State of Texas's Qualified Allocation Plan) the allocation of low-income housing tax credits (the "Tax Credits"), pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto (the "Code"), by the Department. This Declaration incorporates the extended low-income housing commitment required by Section 42(b)(6) of the Code.

•WCH Limited Partnership

WITNESSETH:

WHEREAS, the Project Owner is or shall be the Project Owner of a low income rental housing development, known as or to be known as _____ (the "Project Improvements"), on real property located in the City of DALLAS, County of DALLAS, State of Texas, more particularly described in Exhibit A hereto (the "Project Land") (the Project Improvements and the Project Land being collectively referred to herein as the "Project");

••The Parks At Wynnewood Apartments

WHEREAS, the Department has been designated by the Governor of the State of Texas as the housing credit agency for the State of Texas for the allocation of Tax Credits;

WHEREAS, the Project Owner has applied to the Department for an allocation of Tax Credits to the Project in an amount not to exceed _____ Tax Credit dollars (\$1,347,652);

•••One Million Three Hundred Forty-Seven Thousand Eight Hundred Fifty-Two

WHEREAS, the Project Owner has represented to the Department in the Project Owner's Low-Income Housing Tax Credit Application (the "Application"), authorized by the Department's Low-Income Rental Housing Tax Credit Rules (the "Department Rules"), that the Project Owner shall lease 100% of the units in the Project to individuals or families whose income is 60% % or less of the area median gross income (including adjustments for family size), as more specifically provided herein;

WHEREAS, the Department has determined that the Project would support an allocation of Tax Credits in the amount of \$ 1,042,989; (\$10,429,890 over 10 years)

WHEREAS, the Project Owner has represented to the Department in the Application that it will impose additional rent restrictions M/A (Optional, check if applicable);

WHEREAS, the Code requires as a condition precedent to the allocation of Tax Credits that the Project Owner execute, deliver and record in the real property records of the county in which the Project is located this Declaration in order to create certain covenants running with the land for the purpose of enforcing the requirements of Section 42 of the Code by regulating and restricting the use, occupancy and transfer of the Project as set forth herein; and

WHEREAS, the Project Owner, under this Declaration, hereby declares and covenants that the regulatory and restrictive covenants set forth herein governing the use, occupancy and transfer of the Project shall be and are covenants running with the Project Land for the Term stated herein, are binding upon all subsequent owners and operators of the Project during such Term, and are not merely personal covenants of the Project Owner.

NOW, THEREFORE, in consideration of the premises set forth above, and of other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Project Owner and the Department agree as follows:

95250 01506

DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING TAX CREDITS (LITC)
PAGE 2

SECTION 1 - DEFINITIONS

(a) Unless the context otherwise requires, and in addition to those terms defined in the recitals set forth above, capitalized terms used in this Declaration shall have the following meanings:

"Area Median Gross Income" means the median gross income of the area in which the Project is located as determined by the Secretary of Housing and Urban Development for purposes of Section 42 of the Code, including adjustments for family size.

"Assumption Agreement" shall have the meaning assigned in Section 3(D) hereof.

"Compliance Period" means the period of 15 consecutive taxable years beginning with the first taxable year of the Credit Period, unless a longer period shall be stated in Appendix A hereto.

"Credit Period" means, with respect to any building in the Project, the period of ten taxable years beginning with the taxable year in which such building is placed in service or (at the election of the Owner) the following taxable year.

"Department Compliance Monitoring Procedures" means those procedures and requirements adopted or imposed by the Department, and modified by the Department from time to time, for the purpose of discharging its responsibilities pursuant to Section 42(m)(1)(B)(iii) of the Code to monitor compliance by the Project Owner and the Project with the provisions of Section 42 of the Code and to notify the Service of instances of noncompliance.

"Extended Use Period" means the period beginning with the first day of the Compliance Period and ending on the date which is 15 years after the end of the Compliance Period, unless a later date shall be set forth in Appendix A hereto or unless terminated earlier in accordance with Section 5 hereof.

"Gross Rent" means all amounts paid by a Tenant for rent, determined in a manner consistent with Section 42(g)(2) of the Code. If the Tenant pays utilities directly, Gross Rent shall include any utility allowances prescribed by the Secretary.

"Income" means the income of a Tenant determined in a manner consistent with the requirements of Section 142(d)(2)(B) of the Code.

"Low-income" means, with respect to any Tenant, an income level not exceeding 30% or 60% of Area Median Gross Income, adjusted for family size, as provided in Section 4 hereof, unless an alternative income level shall be set forth in Appendix A hereto.

"Low-income Tenant" means a Tenant who when the Tenant originally occupied the Unit, had an income qualifying as Low-income. For so long as the Tenant occupies the particular Unit, the Tenant will remain a Low-income Tenant if the Tenant's income, upon the most recent income certification, does not exceed 140% of the applicable Low-income level.

"Low-income Unit" means a Unit in the Project that is occupied by a Low-income Tenant, is Rent-Restricted and meets the other requirements of Section 42 of the Code, in particular, Section 42(D)(3).

"Minimum Applicable Fraction" means the percentage with respect to a building in the Project, calculated as the lesser of the percentage of Units in such building which are Low-income Units or the percentage of floor space of all Units in such building which is in Low-income Units, all calculated as required pursuant to Section 42(c)(1) of the Code, which serves as the basis for the Department's allocation of Tax Credits to the building as provided in Section 4(c) hereof.

95250 01507

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING TAX CREDITS (990)
PAGE 3**

"Rent-Restricted" means, with respect to any Unit, that the Gross Rent with respect to such Unit is not more than 30% of the imputed income limitation applicable to such Unit pursuant to Section 42(g)(2)(C) of the Code.

"Secretary" means the Secretary of the Treasury of the United States.

"Service" means the United States Internal Revenue Service and any successor thereto.

"State" means the State of Texas.

"Tenant" means the individual or individuals entitled to occupy a Unit in the Project by lease or other legal relationship with the Project Owner.

"Term" shall have the meaning set out in Section 5 hereof.

"Unit" means any residential rental unit in the Project consisting of an accommodation containing separate and complete physical facilities and fixtures for living, sleeping, eating, cooking, and sanitation; provided, however, that single room occupancy housing used on a nontransient basis may be treated as one or more Units.

(b) Any term or phrase which is used in this Declaration and not defined herein shall have the meaning, if any, assigned thereto in Section 43 of the Code, and if no meaning is assigned thereto in Section 42 of the Code, the meaning, if any, assigned in the Department Rules. Any term or phrase which is defined herein shall, unless the context shall clearly indicate otherwise, be interpreted in a manner consistent with the provisions and requirements of Section 42 of the Code.

SECTION 2 - RECORDING AND FILING; COVENANTS TO RUN WITH THE LAND

(a) The Project Owner shall cause this Declaration and all amendments herein to be recorded and filed in the official public land deed records of the county in which the Project is located, and shall pay all fees and charges incurred in connection therewith. Upon recording, the Project Owner shall immediately transmit to the Department an executed original of the recorded Declaration showing the deed, deed book and page numbers of record. The Project Owner agrees that the Department will not issue the Internal Revenue Service Form 8609, evidencing final allocation of the Tax Credits, unless and until the Department has received the recorded executed original of the Declaration.

(b) The Project Owner hereby declares and covenants, on behalf of itself and all future owners and operators of the Project during the Term of this Declaration, that this Declaration and the covenants and restrictions set forth in this Declaration regulating and restricting the use, occupancy and transfer of the Project (i) shall be and are covenants running with the Project Land, encumbering the Project Land for the Term of this Declaration and binding upon the Project Owner's successors in title and all subsequent owners and operators of the Project Land, and (ii) shall bind the Project Owner (and the benefits shall inure to the Department and any past, present or prospective Tenant of the Project) and its respective successors and assigns during the Term of this Declaration. The Project Owner hereby agrees that any and all requirements of the laws of the State of Texas to be satisfied in order for the provisions of this Declaration to constitute deed restrictions and covenants running with the land shall be deemed to be satisfied in full, and that any requirements or privileges of estate are intended to be satisfied, or in the absence, that an equitable servitude has been created to insure that these restrictions run with the Project Land. For the Term of this Declaration, each and every contract, deed or other instrument hereafter executed conveying the Project or portion thereof shall expressly provide that such conveyance is subject to this Declaration; provided, however, that the covenants contained herein shall survive and be effective regardless of whether such contract, deed or other instrument hereafter executed conveying the Project or portion thereof provides that such conveyance is subject to this Declaration.

(c) The Project Owner shall obtain the written consent of any existing lienholder of record (such as "Existing Lienholder") on the Project to this Declaration and the requirements hereof, including specifically the

95250 01508

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING TAX CREDITS (LIRC)
PAGE 4**

requirements of Section 5(c)(1) and Section 5(c) with respect to provisions which survive or may be revived after foreclosure, and such consent shall be in a form promulgated by the Department from time to time and shall be a condition precedent to the issuance by the Department of Internal Revenue Service Form 8609, evidencing final allocation of the Tax Credits. The Project Owner represents and warrants to the Department that attached hereto as Addendum A and made a part hereof is an executed and acknowledged Lienholder's Consent from each Existing Lienholder, if any, as of the effective date hereof.

SECTION 3 - REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE PROJECT OWNER

The Project Owner hereby represents, covenants and warrants as follows:

instead

(a) The Project Owner (i) is a corporation, duly organized and validly existing under the laws of the State of Texas, and is duly authorized and qualified to transact in the State any and all business contemplated by this Declaration and the Department Rules; (ii) possesses all requisite power, authority, license and permits to own its properties and assets and to conduct its business; and (iii) has all legal rights, power and authority to execute and deliver this Declaration.

(b) The execution and performance of this Declaration by the Project Owner (i) will not violate or, as applicable, have not violated, any provision of law, rule or regulation, or any order of any court or other department of the State or governmental body, (ii) will not violate or, as applicable, have not violated, any provision of any indenture, agreement, mortgage, mortgage note or other instrument to which the Project Owner is a party or by which it or the Project is bound, and (iii) will not result in the creation or imposition of any prohibited encumbrance of any nature.

(c) The Project Owner will, at the time of execution and delivery of this Declaration, have good and indefeasible fee simple title to (or a leasehold interest extending at least two years beyond the end of the Extended Use Period in) the premises constituting the Project, free and clear of any lien or encumbrance, except those created by any loan documents relating to the Project, those which are created pursuant to this Declaration and those which are otherwise permitted encumbrances, as specifically set forth at Exhibit B hereto.

(d) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of the Project Owner threatened, against or affecting it, or any of its properties or rights, which, if adversely determined, would materially impair its right to carry on business substantially as now conducted (and as now contemplated by this Declaration) or would materially adversely affect its financial condition.

(e) The Project continues or will continue, and the Project Owner covenants, that commencing with the last day of the first year of the Credit Period and continuing throughout the Term of this Declaration, it shall maintain the Project as a "qualified low-income housing project", as defined in Section 42(g) of the Code.

(f) Each Unit in the Project contains separate and complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation (unless the Project qualifies as a single-room occupancy project) which is to be used on other than a transient basis as provided in Section 42(i)(3) of the Code.

(g) The Project Owner agrees to comply fully and at all times with the requirements of Texas Law and the Federal Fair Housing Act.

(h) During the Term of this Declaration, the Project Owner covenants, agrees and warrants that each Low-Income Unit is and will remain suitable for occupancy to the extent required by Texas Law and under regulations prescribed by the Secretary, taking into account local health, safety, and building codes.

95250 01509

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING TAX CREDITS (LHC)**
PAGE 5

(i) The Project Owner covenants that it will not sell, transfer or exchange any portion of any building in the Project unless it sells, transfers or exchanges the entire building to the same person. Subject to the requirements of Section 42 of the Code and this Declaration, the Project Owner may sell, transfer or exchange the entire Project or any building in the Project at any time, provided that the Project Owner shall require, as a condition precedent to any such sale, transfer or exchange, that the successor owner and operator execute, in writing, in an Assumption Agreement acceptable to the Department, the Project Owner's obligations hereunder and under Section 42 of the Code, which Assumption Agreement shall be delivered to the Department in executed, recordable form prior to any such sale, transfer or exchange. This provision shall not act to waive any other restriction on sale, transfer or exchange of the Project or any building in the Project. The Project Owner agrees that the Department may void any sale, transfer or exchange of the Project if the successor owner and operator fails to execute and deliver an Assumption Agreement or if the Project Owner or the successor owner and operator otherwise acts in contravention of this Section 3(i).

(j) The Project Owner agrees to notify the Department in writing prior to any sale, transfer or exchange of the entire Project or any building therein, and to provide to the Department the name(s) and address(es) of the prospective successor owner and operator of the Project or building.

(k) The Project Owner shall not demolish any part of the Project or substantially subtract from any real or personal property of the Project or permit the use of any Unit for any purpose other than rental housing during the Term of this Declaration, unless required by law.

(l) The Project Owner represents, warrants and agrees that if the Project, or any part thereof, shall be damaged or destroyed or shall be condemned or acquired for public use, the Project Owner will use its best efforts to repair and restore the Project to substantially the same condition as existed prior to the event causing such damage or destruction, or to relieve the condemnation, and thereafter to operate the Project in accordance with the terms of this Declaration.

(m) The Project Owner warrants that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event, the requirements of this Declaration are paramount and controlling as to the rights and obligations herein set forth and supercede any other requirements in conflict herewith.

SECTION 4 - INCOME RESTRICTIONS/RENTAL RESTRICTIONS

The Project Owner represents, warrants and covenants throughout the Term of this Declaration and in order to satisfy the requirements of Section 42 of the Code that:

(a) (1) At least 20% or more of the Units in the Project (are used) will continuously be maintained as both Rent-Restricted and occupied by individuals whose income is 50% or less of Area Median Gross Income.

(2) X At least 40% or more of the Units in the Project (are used) will continuously be maintained as both Rent-Restricted and occupied by individuals whose income is 60% or less of Area Median Gross Income.

(Check applicable percentage election)

(b) The determination of whether a Tenant is a Low-Income Tenant shall be made by the Project Owner at least annually on the basis of the current income of such Low-Income Tenant. If, upon any such annual certification, the Tenant of a Low-Income Unit who was, at the last annual income certification, a Low-Income Tenant, is found no longer to be a Low-Income Tenant, such Unit will continue to be treated as a Low-Income Unit until the next available Unit of comparable or smaller size to the Project is rented to a person who is not a Low-Income Tenant. A Low-Income Unit

95250 01510

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING TAX CREDITS (1990)
PAGE 6**

that has been vacated will continue to be treated as a Low-income Unit, provided that (i) reasonable attempts are made to rent the Unit and (ii) no other Units of comparable or smaller size in the Project are rented to persons who are not Low-income Tenants. In no case will a Unit be treated as a Low-income Unit if all the Tenants of the Unit are students (as determined under Section 151(c)(4) of the Code), no one of whom is entitled to file a joint income tax return; provided, however, that such rule shall not apply to the types of students identified in Section 42(i)(3)(D) of the Code.

(c) The Project will contain 400 Units, of which at least 40% will be Low-income Units. The amount of Tax Credits allocated to the Project is based on the requirement that the Minimum Applicable Fraction for each building in the Project will be at least 100 percent or an specified, building-by-building, in Appendix A hereto. During the Term of this Declaration, Units at the Project shall be leased and rented or made available to members of the general public who qualify as Low-income Tenants, such that each building in the Project shall at all times satisfy the Minimum Applicable Fraction for such building. The Project Owner's failure to ensure that each building in the Project complies with such requirement will cause the Department to report such fact to the Service and may result in the reduction and recapture by the Service of Tax Credits, as well as other enforcement action.

(d) The Project and the Project Owner are subject to additional and/or modified requirements, if any, set forth in Appendix A, which requirements are incorporated herein and made a part hereof.

(e) The Project Owner will not refuse to lease a Unit at the Project to a prospective Tenant who holds a voucher or certificate of eligibility for assistance pursuant to Section 8 of the United States Housing Act of 1937, as amended, because of the status of such prospective Tenant as the holder of such voucher or certificate.

SECTION 5 - TERM OF DECLARATION

(a) This Declaration shall become effective with respect to a building in the Project on the first day of the Compliance Period for such building and shall terminate on the last day of the Extended Use Period, unless this Agreement is earlier terminated pursuant to Section 5(b) hereof (the "Term").

(b) Notwithstanding subsection (a) above, this Declaration shall terminate:

(1) with respect to any building in the Project, on the date such building is acquired by foreclosure (or instrument in lieu of foreclosure), unless the Secretary or his delegate determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period; or

(2) following the end of the Compliance Period, if the Project Owner has properly requested that the Department assist in procuring a "Qualified Contract", as defined in the Code, for the acquisition of a building and the Department is unable to present a Qualified Contract. To properly request the Department's assistance in procuring a Qualified Contract for the acquisition of a building, the Project Owner must submit a written request to the Department no earlier than one (1) year prior to the expiration of the Compliance Period, or on the last day of any subsequent year of the Extended Use Period. The Department will have one (1) year from the date of the Project Owner's written request to find a buyer to acquire the Project Owner's interest in the building. The Department will attempt to procure a Qualified Contract for the acquisition of any building only once during the Extended Use Period.

(c) If this Declaration is terminated pursuant to subsection (b) above and notwithstanding anything herein to the contrary, the Tenant of any Low-income Unit on the date of such termination shall be entitled to occupy such Unit in accordance with the provisions of this Declaration for a period of three years following such termination date, provided, however, that upon a showing of good cause, such Tenant's tenancy may be terminated or such Tenant evicted.

SECTION 6 - ENFORCEMENT

95250 01511

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING TAX CREDITS (LHC)
PAGE 7**

(a) The Project Owner covenants that it will not knowingly take or permit any action that would result in a violation of the requirements of Section 42 of the Code and this Declaration. Moreover, the Project Owner covenants to take any lawful action (including amendment of this Declaration as may be necessary in the opinion of the Department) to comply fully with the Code and with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury, the Service, or the United States Department of Housing and Urban Development, from time to time, pertaining to the Project Owner's obligations under Section 42 of the Code and affecting the Project.

(b) The Project Owner acknowledges that the primary purpose for requiring compliance by the Project Owner with the restrictions provided in this Declaration is to assure compliance of the Project and the Project Owner with Section 42 of the Code, AND BY REASON THEREOF, THE PROJECT OWNER, IN CONSIDERATION FOR RECEIVING THE TAX CREDITS FOR THIS PROJECT, HEREBY AGREES THAT THE DEPARTMENT AND ANY INDIVIDUAL WHO MEETS THE APPLICABLE INCOME LIMITATION UNDER SECTION 42 (WHETHER PROSPECTIVE, PRESENT OR FORMER TENANT) SHALL BE ENTITLED, FOR ANY BREACH OF THE PROVISIONS HEREOF, AND IN ADDITION TO ALL OTHER REMEDIES PROVIDED BY LAW OR IN EQUITY, TO ENFORCE SPECIFIC PERFORMANCE BY THE PROJECT OWNER OF ITS OBLIGATIONS UNDER THIS DECLARATION IN A STATE COURT OF COMPETENT JURISDICTION. The Project Owner hereby further specifically acknowledges that the beneficiaries of the Project Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of any default hereunder.

(c) The Project Owner hereby agrees that the representations and covenants set forth herein may be relied upon by the Department and all persons interested in Project compliance under Section 42 of the Code.

(d) The Project Owner acknowledges that the Department is required, pursuant to Section 42(m)(1)(B)(iii) of the Code, (i) to monitor the Project Owner's and the Project's compliance with the requirements of Section 42 of the Code, and (ii) to notify the Service of any noncompliance which is found. The Project Owner agrees (I) to maintain records that substantiate and document such compliance, (II) to take all actions required by the Department pursuant to the Department Compliance Monitoring Procedures to assist or cooperate with the Department in monitoring such compliance, and (III) to pay the fee prescribed by the Department with respect to such monitoring.

SECTION 7 - FEES

(a) In order to compensate the Department for its responsibilities pursuant to Section 42(m)(1)(B)(iii) of the Code, the Project Owner shall pay to the Department an annual administrative fee for the first twelve month period of this Declaration in the amount of \$15 per Unit required to be held available under Section 4(c) hereof, but in no event shall the fee be less than \$100.

(b) If the Department shall find the Project not to be in compliance with the terms hereof, the Project Owner shall pay to the Department an additional administrative fee in an amount prescribed from time to time by the Department, which amount for the first twelve month period of this Declaration, shall not exceed \$15 per Unit required to be held available under Section 4(c) hereof for additional monitoring and enforcement activities undertaken with respect to the Project. The administrative fee payable in the event of noncompliance shall be in addition to, and distinct from, the amount due pursuant to Section 7(a), as well as any reimbursements of costs and legal fees to which the Department may be entitled as a result of judicial enforcement action, and such fee shall be payable without respect to whether the Department undertakes or succeeds in judicial enforcement activities, and any right to be compensated therefor, for a period of up to three years following its most recent finding of noncompliance with respect to the Project.

(c) For each successive twelve month period following the initial twelve month period of this Declaration, the administrative fees payable to the Department hereunder shall be the amount established for the most recent administrative fee, multiplied by the increase in the Consumer Price Index for All Urban Consumers (CPI-U) published

95250 01512

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING TAX CREDITS (2000)
PAGE 8**

by the Bureau of Labor Statistics of the United States Department of Labor (or generally recognized successor to such Index) for the same twelve month period of time.

(d) Notwithstanding anything in Sections 7(a) and (c) of this Declaration to the contrary, Project Owner shall not be required to pay an annual administrative fee during the Term of this Declaration if prior to the issuance by the Department of Internal Revenue Service Form 8609, Project Owner has paid to the Department with respect to the Project a lump sum compliance monitoring fee for the entire Term as set forth in the Department Rules and the application submission procedures manual produced by the Department in connection with the allocation of Tax Credits. Provided, however, Project Owner will be required to pay any additional administrative fees owed from time to time during the Term of this Declaration in accordance with Section 7(b) hereof.

SECTION 8 - MISCELLANEOUS

(a) **Severability.** The invalidity of any clause, part or provision of this Declaration shall not affect the validity of the remaining portions thereof.

(b) **Notices.** All notices to be given pursuant to this Declaration shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, delivered by hand, or delivered by any other method permitted by law, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

95250 01513

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING TAX CREDITS (LHC)**
PAGE 9

To the Department:

Texas Department of Housing & Community Affairs
P.O. Box 13941 Capital Station
Austin, Texas 78711-3941
Attn: Low-Income Tax Credit Program

To the Project Owner:

NCH Limited Partnership
312 West 7th Street
Dallas, Texas 75208
Attn: Mr. Duane McCluer

The Department, and the Project Owner, may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certifications or other communications shall be sent.

(c) **Amendment.** This Agreement may not be amended or modified except by written instrument signed by Project Owner and approved by Department, or their respective heirs, successors or assigns, which instrument shall not be effective until it is recorded in the real property records in the county where the Property is located. Upon request by the Department, the Project Owner agrees that it will take all actions necessary to effect any amendment of this Declaration which may be necessary in the Department's sole discretion to comply with the Code, and any and all applicable rules, regulations, policies, procedures, rulings or other official statements pertaining to the Tax Credits.

(d) **Subordination of Declaration.** This Declaration and the restrictions hereunder are subordinate to all loans and loan documents, if any, relating to the Project, except as provided in Sections 5(b)(1) and 5(e) hereof and in the Consent and Subordination of Existing Liensholder, with respect to each existing lienholder, attached hereto.

(e) **Governing Law.** This Declaration shall be governed by the laws of the State of Texas, and, where applicable, the laws of the United States of America.

(f) **Survival of Obligations.** The obligations of the Project Owner as set forth herein and in the Application shall survive the allocation of the Tax Credit and shall not be deemed to terminate or merge with the awarding of the allocation.

95250 01514

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING TAX CREDITS (LITC)
PAGE 10**

(g) **Interpretation.** The Department's interpretation of this Declaration shall be controlling for purposes of determining whether (i) the Compliance Period and/or Credit Period shall have commenced, (ii) this Declaration shall have been terminated in accordance with Section 5 hereof, and (iii) the Additional Use Restrictions stated at Appendix A hereto, if any, shall have been complied with.

IN WITNESS WHEREOF, the Project Owner has caused this Declaration to be signed by its duly authorized representative, as of the day and year first written above.

PROJECT OWNER:

WCH Limited Partnership

By: *Donald McArthur*
Name: Donald McArthur
Title: President

*Wyandotte Community Housing Corp
Managing General Partner
WCH Limited Partnership*

**DEPARTMENT OF HOUSING AND COMMUNITY
AFFAIRS**

By: *Larry Paul Manley*
Name: Larry Paul Manley
Title: Executive Director



STATE OF _____
COUNTY OF _____



I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that DORRIS McCLURE, whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, being informed of the contents of such document, executed the same voluntarily. Given under my hand, official seal this 21 day of 12, 1998.

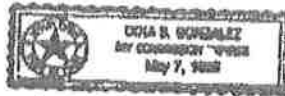
Ged E. Settles
Notary Public
My Commission expires: _____

95250 01516



STATE OF Texas
COUNTY OF Texas

I, the undersigned, a Notary Public in and for said County, in said State, hereby certify that Larry D. Mandel whose name is signed to the foregoing instrument, and who is known to me, acknowledged before me on this day, being informed of the contents of such document, executed the same voluntarily. Given under my hand, official seal this 27 day of December, 1996.



Diana B. Gonzalez
Notary Public
My Commission Expires: 5-7-98

95250 01517



ADDENDUM A TO DECLARATION

Consent and Subordination of Existing Lenders.

95250 01510

(TO BE EXECUTED BY EACH LIENHOLDER ON THE PROJECT AS OF THE EFFECTIVE DATE OF THE DECLARATION.)

CONSENT AND SUBORDINATION OF LIENHOLDER

The undersigned lienholder ("Lienholder") hereby consents to the encumbrance by Project Owner of the foregoing Declaration.

Lienholder hereby subordinates its lien(s) to the rights and interests created pursuant to Section 5(c) of the Declaration such that a foreclosure of its lien(s) shall not extinguish such rights and interests.

Lienholder acknowledges and agrees that pursuant to Section 5(b) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lienholder hereby acknowledges and agrees that the acquisition of this Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(a) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

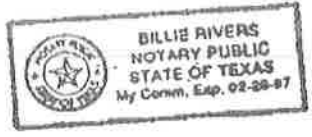
Executed to be effective on the 18th day of December, 1998
Nations Bank Community Dev. Corp.
By: [Signature]
Name: Brian L. Roof
Title: Vice President

THE STATE OF Texas
COUNTY OF Dallas

This instrument was acknowledged before me on the 15 day of December, 1998 by BRIAN L. ROOF, VICE PRES of NATIONS BANK COMMUNITY DEV. CORP. on behalf of said CORPORATION.

Billie Rivers
Notary Public, State of Texas
Billie RIVERS
(Name - Typed or Printed)

2-28-99
Date Commission Expires



(TO BE EXECUTED BY EACH LIENHOLDER ON THE PROJECT AS OF THE EFFECTIVE DATE OF THE DECLARATION.)

CONSENT AND SUBORDINATION OF LIENHOLDER

The undersigned lienholder ("Lienholder") hereby consents to the provisions by Project Owner of the foregoing Declaration.

Lienholder hereby subordinates its lien(s) to the rights and interests created pursuant to Section 5(b) of the Declaration such that a foreclosure of its lien(s) shall not extinguish such rights and interests.

Lienholder acknowledges and agrees that pursuant to Section 5(b) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lienholder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

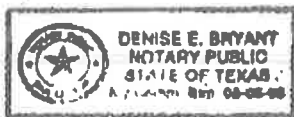
Executed to be effective the 15 day of December, 1995
Nations Bank of Texas, N.A.

By: Eugene W. Bigham
Title: Vice President
Name: Eugene W. Bigham

THE STATE OF Texas
COUNTY OF Dallas

This instrument was acknowledged before me on the 15 day of December, 1995 by Eugene W. Bigham, Vice President for Nations Bank, a banking corporation, on behalf of said corporation.

Denise E. Bryant
Notary Public, State of Texas



(Name - Typed or Printed)

Date Commission Expires

95250 01520

(TO BE EXECUTED BY EACH LIENHOLDER ON THE PROJECT AS OF THE EFFECTIVE DATE OF THE DECLARATION.)

CONSENT AND SUBORDINATION OF LIENHOLDER

The undersigned Lienholder ("Lienholder") hereby consents to the execution by Project Owner of the foregoing Declaration.

Lienholder hereby subordinates its lien(s) to the rights and interests created pursuant to Section 5(c) of the Declaration such that a foreclosure of its lien(s) shall not extinguish such rights and interests.

Lienholder acknowledges and agrees that pursuant to Section 5(b) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure (whichever it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lienholder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

Executed to be effective the 21 day of December, 1995

CITY OF DALLAS
By: [Signature]
Name: Ramon F. Miguel
Title: Asst. City Manager
Approved by to form
SAM LINDSAY, City Attorney

* City execution hereof is at the request of Project Owner.

THE STATE OF TEXAS

COUNTY OF Dallas

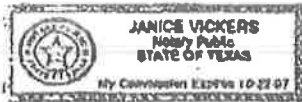
By: [Signature]
Assistant City Attorney

This instrument was acknowledged before me on the 21 day of December, 1995 by Ramon F. Miguel, Asst. City Manager of City of Dallas Texas in behalf of said Corporation.

[Signature]
Notary Public, State of Texas

Janice Vickers
(Name - Typed or Printed)

10/22/98
Date Commission Expires



95250 01521

(TO BE EXECUTED BY EACH LIENHOLDER ON THE PROJECT AS OF THE EFFECTIVE DATE OF THE DECLARATION.)

CONSENT AND SUBORDINATION OF LIENHOLDER

The undersigned Lienholder ("Lienholder") hereby consents to the execution by Project Owner of the foregoing Declaration.

Lienholder hereby subordinates its lien(s) to the rights and interests created pursuant to Section 5(c) of the Declaration such that a foreclosure of its lien(s) shall not extinguish such rights and interests.

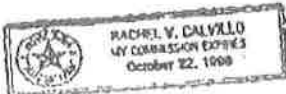
Lienholder acknowledges and agrees that pursuant to Section 5(b) of the Declaration, the Declaration will terminate on the date the Project is acquired by foreclosure or deed in lieu of foreclosure (unless it is determined that such acquisition is part of an arrangement with Borrower a purpose of which is to terminate such period); provided, however, Lienholder hereby acknowledges and agrees that the acquisition of the Project by any party by foreclosure or instrument in lieu of foreclosure shall be subject to the provisions of Section 5(c) of the Declaration, which provisions shall continue in full force and effect for a period of three (3) years from the date of such acquisition; provided, further, that such provisions shall not apply during such period if and to the extent that compliance therewith is not possible as a consequence of damage, destruction, condemnation or similar event with respect to the project.

Executed to be effective the 15th day of December, 1995.

Department of Housing and Urban Development
By: E. Ross Burton
Name: E. Ross Burton
Title: DIRECTOR
Multifamily Housing

THE STATE OF Texas :
COUNTY OF Tarrant :

This instrument was acknowledged before me on the 15th day of December, 1995 by E. Ross Burton of _____, on behalf of said _____.



Rachel V. Calvillo
Notary Public, State of Texas

(Name - Typed or Printed)

Date Commission Expires

95250 01522

EXHIBIT 'A'TRACT 1:

Description of an 18.4520 acre tract of land, said tract being known as Wynnewood Gardens #4 and being that property designated as the Eighth Section of Wynnewood, an addition to the City of Dallas, Dallas County, Texas, as recorded in Volume 12, Pages 7B-A, B and C of the Map Records of Dallas County, Texas, said tract being in Block 8873 of the City of Dallas, said 18.4520 acre tract being that same property shown as Part 1, Part 2 and Part 3 on survey plats prepared by Powell & Powell Engineers in May 1948, and bearing Drawing Numbers P-115.48, P-115.49 and P-115.50, respectively, said 18.4520 acre tract being more particularly described as follows:

BEGINNING at a one half inch iron rod set for corner at the intersection of the North right-of-way line of Wynnewood Drive (70 feet wide) and the Easterly right-of-way line of Llewellyn Avenue (80 feet wide) said point being the Southwest corner of said Eighth Section of Wynnewood;

THENCE North 17 deg. 43 min. 07 sec. West, with said line of Llewellyn Avenue, a distance of 182.08 feet to a 5/8 inch iron rod found at the beginning of a curve to the right, the center of which bears North 72 deg. 16 min. 53 sec. East, a distance of 700.24 feet from said point;

THENCE with said curve to the right, transitioning from the East line of Llewellyn Avenue to the East right-of-way line of Pratt Street (50 feet wide) through a central angle of 25 deg. 22 min. 18 sec., an arc distance of 310.36 feet to a one half inch iron rod set at the end of said curve;

THENCE North 07 deg. 38 min. 09 sec. East, with the East line of Pratt Street, a distance of 15.10 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 82 deg. 20 min. 51 sec. a distance of 1884.86 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right through a central angle of 06 deg. 54 min. 47 sec., an arc distance of 227.42 feet to a Niliti Nail set at the end of said curve;

THENCE North 14 deg. 33 min. 55 sec. East, with said line of Pratt Street, a distance of 3.30 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 75 deg. 26 min. 04 sec. East a distance of 3249.04 feet from said point;

THENCE with said line of said Pratt Street and with said curve to the right, at an arc distance of 71.01 feet a railroad spike set for line, in all, through a central angle of 11 deg. 45 min. 24 sec. an arc distance of 866.68 feet to a one half inch iron rod set at the end of said curve;

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THENCE North 26 deg. 18 min. 20 sec. East, with said line of Pratt Street, a distance of 251.28 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 63 deg. 40 min. 40 sec. East a distance of 1884.88 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right, at an arc distance of 210.43 feet a one half inch iron rod set for line, in all, through a central angle of 18 deg. 50 min. 00 sec. an arc distance of 819.58 feet to a one-half inch iron rod set at the end of said curve;

THENCE North 45 deg. 09 min. 20 sec. East with said line of Pratt Street, a distance of 359.98 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 44 deg. 50 min. 40 sec. East a distance of 452.82 feet from said point;

THENCE with said line of Pratt Street, and with said curve to the right through a central angle of 15 deg. 58 min. 52 sec., an arc distance of 126.30 feet to a one half inch iron rod set at the end of said curve and at the beginning of a curve to the right the center of which bears South 28 deg. 51 min. 48 sec. East a distance of 125.00 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right, through a central angle of 80 deg. 37. min. 48 sec. an arc distance of 132.27 feet to a Hilti Nail set at the end of said curve and at the beginning of a curve to the right the center of which bears South 31 deg. 46 min. 00 sec. West a distance of 32.89 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right through a central angle of 90 deg. 00 min. 00 sec., an arc distance of 51.82 feet to a one half inch iron rod set at the end of said curve in the West right-of-way line of Zang Boulevard (126 feet wide);

THENCE South 31 deg. 48 min. 00 sec. West with said line of Zang Boulevard, a distance of 762.12 feet to a one half inch iron rod set at the beginning of a curve to the left the center of which bears South 58 deg. 14 min. 00 sec. East a distance of 3682.22 feet from said point;

THENCE with said line of Zang Boulevard and with said curve to the left, at an arc distance of 120.29 feet, a one half inch iron rod set for line, at an arc distance of 1108.80 feet, a one half inch iron rod set for line, in all, through a central angle of 26 deg. 34 min. 32 sec., an arc distance of 1000.68 feet, to a one half inch iron rod set for corner in the North line of Wynnewood Drive;

THENCE South 84 deg. 24 min. 15 sec. West with the North line of Wynnewood Drive a distance of 200.95 feet to the PLACE OF BEGINNING;

CONTAINING 803,788 square feet or 18.4520 acres of land, more or less.

TRACT II:

Description of 29.9557 acre tract of land, said tract being known as Wynnswood Gardens No. 5 and being that property designated as the Ninth Section of Wynnswood, an addition to the City of Dallas, Dallas County, Texas, as recorded in Volume 12, Page 214-A of the Map Records of Dallas County, Texas, said tract being in Block 5973 of the City of Dallas, said 29.9557 acre tract being that same property shown as Part 1, Part 2, Part 3 and Part 4 on survey plats prepared by Powell & Powell Engineers in June 1949 and being Drawing Numbers P-115.51, P-115.52 and P-115.53, respectively, said 29.9557 acre tract being more particularly described as follows:

BEGINNING at a one half inch iron rod found for corner in the East right-of-way line of Zang Boulevard (125 feet wide) said point being North 00 deg. 03 min. 00 sec. West a distance of 578.51 feet from the intersection of said line of Zang Boulevard with the North right-of-way line of Illinois Avenue (100 feet wide);

THENCE North 00 deg. 03 min. 00 sec. West with said line of Zang Boulevard, at 302.52 feet pass a one half inch iron rod set for line, in all, a distance of 376.34 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears North 89 deg. 57 min. 00 sec. East, a distance of 3757.22 feet;

THENCE with said line of Zang Boulevard and with said curve to the right, at an arc distance of 983.83 feet pass a one half inch iron rod set for line, in all, through a central angle of 31 deg. 49 min. 00 sec. an arc distance of 2086.41 feet to a one half inch iron rod set at the end of said curve;

THENCE North 31 deg. 46 min. 00 sec. East, at 23.72 feet pass a one half inch iron rod set for line, in all a distance of 1242.95 feet to a one half inch iron rod set at angle point;

THENCE North 38 deg. 44 min. 57 sec. East, with said line of Zang Boulevard a distance of 121.49 feet to a one half inch iron rod set for corner;

THENCE South 75 deg. 23 min. 30 sec. East a distance of 31.00 feet to a one half inch iron rod set for corner in the West line of a tract owned by the City of Dallas, said tract being the old Dallas Southern Traction Company right-of-way, said point being in a curve to the left the center of which bears South 75 deg. 23 min. 30 sec. East a distance of 1474.83 feet from said point;

THENCE with said curve to the left through a central angle of 13 deg. 00 min. 00 sec. an arc distance of 334.59 feet to a one half inch iron rod set at the end of said curve;

THENCE South 01 deg. 38 min. 40 sec. West a distance of 57.76 feet to a point in the center of the South Branch of Cedar Creek;

THENCE in a Southerly direction with the meanders of the center of South Branch of Cedar Creek the following courses and distances:

THENCE South 81 deg. 38 min. 40 sec. West a distance of 70.85 feet to an angle point;

THENCE South 46 deg. 12 min. 00 sec. West a distance of 100.00 feet to an angle point;

THENCE South 20 deg. 53 min. 40 sec. West a distance of 207.50 feet to an angle point;

THENCE South 14 deg. 05 min. 10 sec. East a distance of 103.00 feet to an angle point;

THENCE South 21 deg. 37 min. 45 sec. West a distance of 174.20 feet to an angle point;

THENCE South 08 deg. 24 min. 00 sec. East a distance of 242.80 feet to an angle point;

THENCE South 27 deg. 04 min. 45 sec. West a distance of 237.54 feet to an angle point;

THENCE South 28 deg. 08 min. 40 sec. West a distance of 212.41 feet to an angle point;

THENCE South 45 deg. 44 min. 10 sec. West a distance of 98.78 feet to an angle point;

THENCE South 21 deg. 18 min. 00 sec. West a distance of 198.85 feet to an angle point;

THENCE South 42 deg. 49 min. 00 sec. West a distance of 180.27 feet to an angle point;

THENCE South 22 deg. 53 min. 20 sec. West a distance of 223.32 feet to an angle point;

THENCE South 07 deg. 42 min. 45 sec. East, a distance of 107.12 feet to an angle point;

THENCE South 18 deg. 28 min. 00 sec. East a distance of 231.85 feet to an angle point;

THENCE South 08 deg. 28 min. 40 sec. West a distance of 187.07 feet to an angle point;

THENCE South 02 deg. 48 min. 10 sec. West a distance of 100.77 feet to an angle point;

THENCE South 14 deg. 07 min. 20 sec. West a distance of 45.04 feet to an angle point;

THENCE South 48 deg. 42 min. 00 sec. West a distance of 241.08 feet to an angle point;

THENCE South 01 deg. 49 min. 20 sec. East a distance of 138.06 feet to an angle point;

THENCE South 35 deg. 48 min. 15 sec. West a distance of 105.41 feet to an angle point;

THENCE South 05 deg. 29 min. 15 sec. East a distance of 135.35 feet to an angle point;

THENCE South 14 deg. 58 min. 55 sec. East a distance of 52.40 feet to an angle point;

THENCE South 72 deg. 47 min. 20 sec. East a distance of 53.21 feet to an angle point;

THENCE South 20 deg. 30 min. 55 sec. East a distance of 39.81 feet to an angle point;

THENCE South 56 deg. 04 min. 45 sec. West a distance of 85.07 feet to an angle point;

THENCE South 03 deg. 47 min. 50 sec. East a distance of 113.55 feet to an angle point for corner;

THENCE South 81 deg. 40 min. 30 sec. West, leaving South Branch of Cedar Creek, a distance of 153.01 feet to a one half inch iron rod found for angle point;

THENCE North 66 deg. 50 min. 00 sec. West a distance of 161.47 feet to the PLACE OF BEGINNING;

CONTAINING 1,304,570 square feet or 29.9557 acres of land, more or less.

APPENDIX A

ADDITIONAL USE RESTRICTIONS

(Check all items which apply.)

Additional Occupancy Restrictions

At least 41 Units in the Project must be occupied by Tenants at or below 50 % of Area Median Gross Income.

Longer Compliance Period and Extended Use Period

The Compliance Period shall be a period of 20 consecutive taxable years and the Extended Use Period shall be a period of 33 consecutive taxable years, each commencing with the first year of the Credit Period.

Supportive Services

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide the following services: Education and after school programs for children to be provided by the University of North Texas, or other comparable organization, if these

Community Based Board services can not be provided by The University of North Texas.

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall be governed by a community based board, the majority of whose members live in the Project's community.

Housing for Agricultural Workers

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide housing for agricultural workers.

Transitional Housing for the Homeless

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide transitional housing for homeless persons, on a non-transient basis, with supportive services designed to assist Tenants in locating and retaining permanent housing.

Public Housing Waiting List

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall consider prospective Tenants referred to from the waiting list of the Housing Authority of Dallas.

Material Participation by Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 41(b)(5)(C) of the Code shall own an interest in the Project and shall materially participate (within the meaning of Section 469(b) of the Code) in the development and operation of the Project.

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**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
APPENDIX A
PAGE 2**

IX Right of First Refusal to Tenant or Qualified Nonprofit Organization

If at any time after the fifteenth year of the Compliance Period, the Project Owner shall determine to sell the Project, the Project Owner shall, prior to any such sale, notify the Department of its intent to sell the Project. If, within the 90-day period following receipt of such notice, the Department shall identify one or more qualified nonprofit organizations, within the meaning of Section 42(b)(5)(C) of the Code, or tenant organizations, any of which shall make a *bona fide* offer to purchase the Project for a purchase price equal to the sum of (i) the principal amount of outstanding indebtedness secured by the Project (other than indebtedness incurred within the 5-year period immediately preceding the date of said notice) and (ii) all Federal, State and local taxes incurred or payable by the Project Owner as a consequence of such sale, the Project Owner shall sell the Project pursuant to such offer. If the Project shall, in accordance with the Declaration, have a Minimum Applicable Fraction of less than 1, the *bona fide* offer from a tenant or qualified nonprofit organization to purchase the Project shall be no less than the sum of (i) the purchase price calculated in accordance with the preceding sentence multiplied by the Minimum Applicable Fraction and (ii) the fair market value of the non-Low-Income Units. If the Department or the Project Owner shall receive *bona fide* offers to purchase the Project from more than one tenant or qualified nonprofit organization, the Project Owner shall sell the Project to the tenant or qualified nonprofit organization selected by the Department on such basis as it shall determine appropriate. The Department shall have the right to adopt procedures for (i) identifying tenant or qualified nonprofit organizations willing to purchase the Project, (ii) evaluating *bona fide* offers to purchase the Project, and (iii) determining the purchase price of the Project pursuant to the provisions of this paragraph. The tenant or nonprofit organization's exercise of the right of first refusal shall not terminate the Extended Use Period under the terms of this Declaration.

Senior Projects

Throughout the Compliance Period, unless otherwise permitted by the Department at least 80% of the Units must be restricted to households in which at least one family member is 55 years of age or older OR 100% of the Units must be restricted to households in which all household members are 62 years of age or older.

^{1/} Note: The Federal Fair Housing Act requires, generally, that projects which are limited to occupancy by older persons either (i) be restricted to households in which all members are 62 years or older or (ii) provide significant facilities and services for the elderly or meet certain other requirements and be limited to households in which at least one member is 55 years or older. See 24 C.F.R. §§100.300-100.304 for exact requirements. All tax credit projects must comply with these requirements, as applicable under Federal law, in addition to the Declaration.

95250 01529

DECLARATION OF LAND USE RESTRICTIVE COVENANTS
APPENDIX A
PAGE 3

Minimum Applicable Fraction by Building

Building Identification	Tx-93- 00124	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00125	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00126	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00127	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00128	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00129	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00130	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00141	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00142	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00143	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00144	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00145	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00146	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00147	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00148	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00149	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00150	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00151	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00152	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00153	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00154	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00155	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00156	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00157	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00158	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00159	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00160	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00161	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00162	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00163	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00164	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00165	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00166	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00167	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00168	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00169	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00170	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00171	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00172	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00173	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00174	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00175	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00176	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00177	Minimum Applicable Fraction	100%

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
APPENDIX A
PAGE 4**

Minimum Applicable Fraction by Building

Building Identification	Tx-93- 00176	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00179	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00180	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00181	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00182	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00183	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00184	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00185	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00186	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00187	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00188	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00189	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00190	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00191	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00192	Minimum Applicable Fraction	100%
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Building Identification	Tx-93- 00195	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00196	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00197	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00198	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00199	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00200	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00201	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00202	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00203	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00204	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00205	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00206	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00207	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00208	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00209	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00210	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00211	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00212	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00213	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00214	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00215	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00216	Minimum Applicable Fraction	100%
Building Identification	Tx-93- 00217	Minimum Applicable Fraction	100%

95250 01531



County Deed Records

After filing, please return to:

Kenneth H. Mitchell
1005 Study River Court North
Beaumont, Texas 77616

95250 01532





 COUNTY CLERK, Dallas County

Carl D. Lock

 DEC 28 1995

Any person who willfully neglects the duty

 described and printed hereon or who

 surrenders under threat of

 STATE OF TEXAS

 COUNTY OF DALLAS

 I hereby certify that the within copy is the

 original as the same was filed in the

 office of the County Clerk of Dallas

 County, Texas on the date and time

 stated on this certificate.

FILED

 95 DEC 28 PM 12:36

 CARL D. LOCK

 COUNTY CLERK

 DALLAS COUNTY

95250 01533

EXHIBIT B

**FIRST AMENDMENT TO DECLARATION OF LAND USE RESTRICTIVE
COVENANTS FOR LOW-INCOME HOUSING CREDITS**

Parks at Wynnewood

[See attached]



201300210550

AM 1/20

FIRST AMENDMENT TO
DECLARATION OF LAND USE RESTRICTIVE COVENANTS
FOR LOW INCOME HOUSING CREDITS

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON,
YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING
INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN
REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS:
YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This First Amendment to Declaration of Land Use Restrictive Covenants for Low Income Housing Credits ("First Amendment") is executed on May 15, 2013, to be effective as of December 5, 1995, by and between (i) **WCH LIMITED PARTNERSHIP**, a Texas limited partnership (together with its successors and assigns, the "Project Owner"), and (ii) the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**, a public and official agency of the State of Texas (together with any successor to its rights, duties and obligations, the "Department").

WITNESSETH:

WHEREAS, effective December 21, 1995, the Project Owner and the Department executed that certain Declaration of Land Use Restrictive Covenants for Low Income Housing Credits (the "Declaration"), which was filed of record on December 28, 1995 and recorded in/under Clerk's File No. 199502509621, in Book 95250, Page 1506 of the Official Public Records of Dallas County, Texas (the "Records"), upon and against the real property described in Exhibit "A" attached hereto and made a part hereof ("Property"); and

WHEREAS, the Project Owner and the Department desire to amend the Declaration;

NOW, THEREFORE, for and in consideration of the mutual covenants and representations herein contained, the receipt and sufficiency of which are hereby acknowledged, the Project Owner and the Department agree as follows:

1. Section 4 – Income Restrictions/Rental Restrictions ("Section 4") shall be amended to read as set forth in Exhibit "B" attached hereto and made a part hereof;

2. Section 5 – Term of Declaration, subsection (a) shall be amended to read as follows:

"(a) This Declaration shall become effective with respect to a building in the Project on the first day of the Compliance Period for such building and shall terminate on December

31, 2032, unless this Agreement is earlier terminated pursuant to Section 5(b) hereof (the "Term")."

3. Appendix A – Additional Use Restrictions ("Appendix A") shall be amended to read as set forth in Exhibit "C" attached hereto and made a part hereof; and

4. All of the remaining terms and provisions of the Declaration shall be and remain in full force and effect and the parties hereto agree that all rights, duties and obligations contained in the Declaration are hereby ratified, confirmed, renewed, extended and brought forward.

5. This First Amendment shall be binding upon the parties hereto and their respective successors and assigns.

IN WITNESS WHEREOF, the Project Owner and the Department have executed this First Amendment as of the day and year first above written.

[Signature pages begin on next page.]

PROJECT OWNER:

WCH LIMITED PARTNERSHIP, a Texas limited partnership

By: Wynnewood Seniors Housing GP, LLC, a Texas limited liability company, its co-general partner

By: Central Dallas Community Development Corporation, a Texas nonprofit corporation, its sole member

By: *John P. Greenan*
Name: John P. Greenan
Title: Executive Director

THE STATE OF TEXAS §
§
COUNTY OF DALLAS §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared John P. Greenan, known to me or proven to me on the basis of satisfactory evidence to be the Executive Director of Central Dallas Community Development Corporation, a Texas nonprofit corporation, sole member of Wynnewood Seniors Housing GP, LLC, a Texas limited liability company, co-general partner of **WCH LIMITED PARTNERSHIP**, a Texas limited partnership, and that he executed the same as the act of such limited partnership for the purposes and consideration therein expressed, and in the capacity stated therein.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of July, 2013.

(Seal)


Daniel C. Hopkins
Notary Public, State of Texas



PROJECT OWNER:

WCH LIMITED PARTNERSHIP, a Texas limited partnership

By: Banc of America Community Development Corporation, a North Carolina corporation, its co-general partner

By: 
Name: Brian L. Reep
Title: Senior Vice President

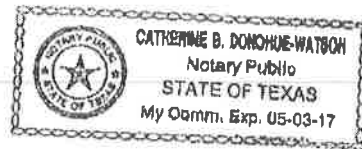
THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Brian L. Reep, known to me or proven to me on the basis of satisfactory evidence to be the Senior Vice President of Banc of America Community Development Corporation, a North Carolina corporation, co-general partner of **WCH LIMITED PARTNERSHIP**, a Texas limited partnership, and that he/she executed the same as the act of such limited partnership for the purposes and consideration therein expressed, and in the capacity stated therein.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 2nd day of July, 2013.

(Seal)

Catherine B. Donohue-Watson
Notary Public, State of Texas



DEPARTMENT:

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS, a public and official
agency of the State of Texas

By: Cari Garcia
Name: Cari Garcia
Duly Authorized Officer or Representative

THE STATE OF TEXAS §
 §
 §
COUNTY OF TRAVIS §

This instrument was acknowledged before me on this 15th day of May, 2013,
by Cari Garcia, duly authorized officer or representative of the
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official
agency of the State of Texas, on behalf of said agency.

(Seal)



Leah Sargent Rosas
Notary Public, State of Texas

EXHIBIT A

DESCRIPTION OF THE PROPERTY

[See following five (5) page metes and bounds legal description, save and except 8.4528 acres released by a Partial Release from the Declaration recorded under File No. 201200274919, filed on September 17, 2012 in the Records.]

EXHIBIT "A"

TRACT I:

Description of an 18.4520 acre tract of land, said tract being known as Wynnewood Gardens #4 and being that property designated as the Eighth Section of Wynnewood, an addition to the City of Dallas, Dallas County, Texas, as recorded in Volume 12, Pages 78-A, B and C of the Map Records of Dallas County, Texas, said tract being in Block 5973 of the City of Dallas, said 18.4520 acre tract being that same property shown as Part 1, Part 2 and Part 3 on survey plats prepared by Powell & Powell Engineers in May 1949, and bearing Drawing Numbers P-115.48, P-115.49 and P-115.50, respectively, said 18.4520 acre tract being more particularly described as follows:

BEGINNING at a one half inch iron rod set for corner at the intersection of the North right-of-way line of Wynnewood Drive (70 feet wide) and the Easterly right-of-way line of Llewellyn Avenue (80 feet wide) said point being the Southwest corner of said Eighth Section of Wynnewood;

THENCE North 17 deg. 43 min. 07 sec. West, with said line of Llewellyn Avenue, a distance of 182.08 feet to a 3/8 inch iron rod found at the beginning of a curve to the right, the center of which bears North 72 deg. 16 min. 53 sec. East, a distance of 700.84 feet from said point;

THENCE with said curve to the right, transitioning from the East line of Llewellyn Avenue to the East right-of-way line of Pratt Street (50 feet wide) through a central angle of 25 deg. 22 min. 16 sec., an arc distance of 310.38 feet to a one half inch iron rod set at the end of said curve;

THENCE North 07 deg. 39 min. 08 sec. East, with the East line of Pratt Street, a distance of 15.10 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 82 deg. 20 min. 51 sec. a distance of 1884.88 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right through a central angle of 98 deg. 54 min. 47 sec., an arc distance of 227.42 feet to a Hilti Nail set at the end of said curve;

THENCE North 14 deg. 33 min. 58 sec. East, with said line of Pratt Street, a distance of 3.30 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 75 deg. 26 min. 04 sec. East a distance of 3249.04 feet from said point;

THENCE with said line of said Pratt Street and with said curve to the right, at an arc distance of 71.01 feet a railroad spike set for line, in all, through a central angle of 11 deg. 45 min. 24 sec. an arc distance of 685.68 feet to a one half inch iron rod set at the end of said curve;

THENCE North 26 deg. 19 min. 20 sec. East, with said line of Pratt Street, a distance of 251.28 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 63 deg. 40 min. 40 sec. East a distance of 1884.88 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right, at an arc distance of 210.43 feet a one half inch iron rod set for line, in all, through a central angle of 18 deg. 50 min. 00 sec. an arc distance of 819.56 feet to a one half inch iron rod set at the end of said curve;

THENCE North 45 deg. 09 min. 20 sec. East with said line of Pratt Street, a distance of 359.98 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 44 deg. 50 min. 40 sec. East a distance of 452.82 feet from said point;

THENCE with said line of Pratt Street, and with said curve to the right through a central angle of 15 deg. 58 min. 52 sec., an arc distance of 126.30 feet to a one half inch iron rod set at the end of said curve and at the beginning of a curve to the right the center of which bears South 28 deg. 51 min. 48 sec. East a distance of 125.00 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right, through a central angle of 60 deg. 37 min. 48 sec. an arc distance of 132.27 feet to a Hilti Nail set at the end of said curve and at the beginning of a curve to the right the center of which bears South 31 deg. 48 min. 00 sec. West a distance of 32.89 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right through a central angle of 90 deg. 00 min. 00 sec., an arc distance of 51.82 feet to a one half inch iron rod set at the end of said curve in the West right-of-way line of Zang Boulevard (125 feet wide);

THENCE South 31 deg. 48 min. 00 sec. West with said line of Zang Boulevard, a distance of 762.12 feet to a one half inch iron rod set at the beginning of a curve to the left the center of which bears South 58 deg. 14 min. 00 sec. East a distance of 3882.22 feet from said point;

THENCE with said line of Zang Boulevard and with said curve to the left, at an arc distance of 120.29 feet, a one half inch iron rod set for line, at an arc distance of 1108.80 feet, a one half inch iron rod set for line, in all, through a central angle of 26 deg. 34 min. 32 sec., an arc distance of 1800.89 feet, to a one half inch iron rod set for corner in the North line of Wynnewood Drive;

THENCE South 84 deg. 24 min. 15 sec. West with the North line of Wynnewood Drive a distance of 200.56 feet to the PLACE OF BEGINNING;

CONTAINING 803,768 square feet or 18.4520 acres of land, more or less.

TRACT II:

Description of 29.9557 acre tract of land, said tract being known as Wynnewood Gardens No. 5 and being that property designated as the Ninth Section of Wynnewood, an addition to the City of Dallas, Dallas County, Texas, as recorded in Volume 12, Page 214-A of the Map Records of Dallas County, Texas, said tract being in Block 5973 of the City of Dallas, said 29.9557 acre tract being that same property shown as Part 1, Part 2, Part 3 and Part 4 on survey plats prepared by Powell & Powell Engineers in June 1949 and being Drawing Numbers P-115.51, P-115.52 and P-115.53, respectively, said 29.9557 acre tract being more particularly described as follows:

BEGINNING at a one half inch iron rod found for corner in the East right-of-way line of Zang Boulevard (125 feet wide) said point being North 00 deg. 03 min. 00 sec. West a distance of 578.31 feet from the intersection of said line of Zang Boulevard with the North right-of-way line of Illinois Avenue (100 feet wide);

THENCE North 00 deg. 03 min. 00 sec. West with said line of Zang Boulevard, at 302.82 feet pass a one half inch iron rod set for line, in all, a distance of 378.34 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears North 89 deg. 57 min. 00 sec. East, a distance of 3757.22 feet;

THENCE with said line of Zang Boulevard and with said curve to the right, at an arc distance of 993.93 feet pass a one half inch iron rod set for line, in all, through a central angle of 31 deg. 49 min. 00 sec. an arc distance of 2088.41 feet to a one half inch iron rod set at the end of said curve;

THENCE North 31 deg. 45 min. 00 sec. East, at 23.72 feet pass a one half inch iron rod set for line, in all, a distance of 1242.95 feet to a one half inch iron rod set at angle point;

THENCE North 38 deg. 44 min. 57 sec. East, with said line of Zang Boulevard a distance of 121.49 feet to a one half inch iron rod set for corner;

THENCE South 75 deg. 23 min. 30 sec. East a distance of 31.00 feet to a one half inch iron rod set for corner in the West line of a tract owned by the City of Dallas, said tract being the old Dallas Southern Traction Company right-of-way, said point being in a curve to the left the center of which bears South 75 deg. 23 min. 30 sec. East a distance of 1474.69 feet from said point;

THENCE with said curve to the left through a central angle of 13 deg. 00 min. 00 sec. an arc distance of 334.59 feet to a one half inch iron rod set at the end of said curve;

THENCE South 01 deg. 36 min. 40 sec. West a distance of 57.76 feet to a point in the center of the South Branch of Cedar Creek;

THENCE in a Southerly direction with the meanders of the center of South Branch of Cedar Creek the following courses and distances:

THENCE South 81 deg. 36 min. 40 sec. West a distance of 70.95 feet to an angle point;

THENCE South 46 deg. 12 min. 00 sec. West a distance of 100.00 feet to an angle point;

THENCE South 20 deg. 53 min. 40 sec. West a distance of 207.50 feet to an angle point;

THENCE South 14 deg. 05 min. 10 sec. East a distance of 103.00 feet to an angle point;

THENCE South 21 deg. 37 min. 45 sec. West a distance of 174.20 feet to an angle point;

THENCE South 06 deg. 24 min. 00 sec. East a distance of 242.80 feet to an angle point;

THENCE South 27 deg. 04 min. 45 sec. West a distance of 237.54 feet to an angle point;

THENCE South 28 deg. 08 min. 40 sec. West a distance of 212.41 feet to an angle point;

THENCE South 45 deg. 44 min. 10 sec. West a distance of 96.76 feet to an angle point;

THENCE South 21 deg. 18 min. 00 sec. West a distance of 198.85 feet to an angle point;

THENCE South 42 deg. 49 min. 00 sec. West a distance of 160.27 feet to an angle point;

THENCE South 22 deg. 53 min. 20 sec. West a distance of 223.32 feet to an angle point;

THENCE South 07 deg. 42 min. 45 sec. East, a distance of 107.12 feet to an angle point;

THENCE South 18 deg. 28 min. 00 sec. East a distance of 231.65 feet to an angle point;

THENCE South 09 deg. 26 min. 40 sec. West a distance of 187.07 feet to an angle point;

THENCE South 02 deg. 48 min. 10 sec. West a distance of 100.77 feet to an angle point;

THENCE South 14 deg. 07 min. 20 sec. West a distance of 45.04 feet to an angle point;

THENCE South 49 deg. 42 min. 00 sec. West a distance of 241.09 feet to an angle point;

THENCE South 01 deg. 49 min. 20 sec. East a distance of 136.08 feet to an angle point;

THENCE South 38 deg. 48 min. 15 sec. West a distance of 105.41 feet to an angle point;

THENCE South 08 deg. 29 min. 15 sec. East a distance of 135.35 feet to an angle point;

THENCE South 14 deg. 58 min. 55 sec. East a distance of 52.40 feet to an angle point;

THENCE South 72 deg. 47 min. 20 sec. East a distance of 53.21 feet to an angle point;

THENCE South 20 deg. 30 min. 55 sec. East a distance of 39.81 feet to an angle point;

THENCE South 56 deg. 04 min. 45 sec. West a distance of 86.97 feet to an angle point;

THENCE South 03 deg. 47 min. 50 sec. East a distance of 113.55 feet to an angle point for corner;

THENCE South 81 deg. 40 min. 30 sec. West, leaving South Branch of Cedar Creek, a distance of 153.01 feet to a one half inch iron rod found for angle point;

THENCE North 88 deg. 50 min. 00 sec. West a distance of 161.47 feet to the PLACE OF BEGINNING;

CONTAINING 1,304,870 square feet or 29.9557 acres of land, more or less.

LESS AND EXCEPT the following described 8.4528 acre tract of land released from the Declaration by Document #201200274919, recorded on September 17, 2012 in the Official Public Records of Real Property of Dallas County, Texas.

Description of an 8.4528 acre tract of land situated in the John W. Wright Survey, Abstract No. 1622, City of Dallas, Dallas County, Texas and being a portion of Wynnewood Gardens No. 4, Eighth Section of Wynnewood, an addition to the City of Dallas, Texas according to the plat thereof recorded in Volume 12, Pages 78-A, B and C, Map Records, Dallas County, Texas; said 8.4528 acre tract also being a portion of Tract 1 conveyed to WCH Limited Partnership in Special Warranty Deed recorded in Volume 93237, Page 5104, Deed Records, Dallas County, Texas; said 11.6297 acre tract being more particularly described by metes and bounds as follows:

COMMENCING, at a 1/2-inch iron rod found at the intersection of the north right-of-way line of Wynnewood Drive (70 feet wide) and the easterly right-of-way line of Llewellyn Avenue (80 feet wide); said point also being the southwest corner of said Eighth Section of Wynnewood;

THENCE, North 17 degrees 43 minutes 07 seconds West, with said easterly right-of-way line of Llewellyn Avenue, a distance of 182.08 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the right having a radius of 700.94 feet;

THENCE, northwesterly, with said curve to the right and transitioning from the easterly right-of-way line of Llewellyn Avenue to the east right-of-way line of Pratt Street (50 feet wide), through a central angle of 25 degrees 22 minutes 16 seconds, an arc distance of 310.38 feet (chord bears North 05 degrees 02 minutes 02 seconds West, 307.85 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the end of said curve;

THENCE, with the said east right-of-way line of Pratt Street, the following metes and bounds;

North 07 degrees 39 minutes 06 seconds East, a distance of 15.10 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the right having a radius of 1,884.86 feet;

Northeasterly, with said curve to the right, through a central angle of 06 degrees 54 minutes 47 seconds, an arc distance of 227.42 feet (chord bears North 11 degrees 06 minutes 29 seconds East, 227.28 feet) to a "+" cut in concrete set at the end of said curve;

North 14 degrees 33 minutes 56 seconds East, a distance of 3.30 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the right having a radius of 3,249.04 feet;

Northeasterly, with said curve to the right, through a central angle of 11 degrees 45 minutes 24 seconds, an arc distance of 666.68 feet (chord bears North 20 degrees 26 minutes 35 seconds East, 665.51 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set (1/2-inch iron rod found South 68 degrees 34 minutes 11 seconds East, 1.14 feet) at the end of said curve;

North 26 degrees 19 minutes 20 seconds East, a distance of 27.24 feet to the POINT OF BEGINNING of said 8.4528 acre tract;

THENCE, with the said east right-of-way line of Pratt Street, the following metes and bounds:

North 26 degrees 19 minutes 20 seconds East, a distance of 251.28 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set (1/2-inch iron rod found South 76 degrees 21 minutes 51 seconds East, 1.00 feet) at the beginning of a curve to the right having a radius of 1,884.86 feet;

Northeasterly, with said curve to the right, through a central angle of 18 degrees 50 minutes 00 seconds, an arc distance of 619.56 feet (chord bears North 35 degrees 44 minutes 17 seconds East, 616.77 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the end of said curve;

North 45 degrees 09 minutes 20 seconds East, a distance of 359.96 feet to a 1/2-inch iron rod found at the beginning of a curve to the right having a radius of 452.82 feet;

Northeasterly, with said curve to the right, through a central angle of 15 degrees 58 minutes 52 seconds, an arc distance of 126.30 feet (chord bears North 53 degrees 08 minutes 43 seconds East, 123.89 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the end of said curve; said point also being the beginning of a curve to the right having a radius of 125.00 feet;

Southeasterly, with said curve to the right, through a central angle of 60 degrees 37 minutes 48 seconds, an arc distance of 132.27 feet (chord bears South 88 degrees 32 minutes 57 seconds East, 126.19 feet) to a 1/2-inch iron rod found at the end of said curve; said point also being the beginning of a curve to the right having a radius of 32.99 feet;

Southeasterly, with said curve to the right, through a central angle of 90 degrees 00 minutes 00 seconds, an arc distance of 51.82 feet (chord bears South 13 degrees 14 minutes 03 seconds East, 46.65 feet) to a 1/2-inch iron rod found at the end of said curve; said point also being on the west right-of-way line of Zang Boulevard (125 feet wide);

THENCE, with the said west right-of-way line of Zang Boulevard, the following metes and bounds:

South 31 degrees 46 minutes 00 seconds West, 752.12 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the left having a radius of 3,882.22;

Southwesterly, with said curve to the left, through a central angle of 08 degrees 11 minutes 03 seconds, an arc distance of 554.54 feet (chord bears South 27 degrees 40 minutes 29 seconds West, 554.06 feet) to a point for corner;

THENCE, North 63 degrees 40 minutes 40 seconds West, a distance of 333.68 feet to the POINT OF BEGINNING and CONTAINING 368,206 square feet or 8.4528 acres of land, more or less.

EXHIBIT "B"

SECTION 4 - INCOME RESTRICTIONS/RENTAL RESTRICTIONS

The Project Owner represents, warrants and covenants throughout the Term of this Declaration and in order to satisfy the requirements of Section 42 of the Code that:

(a) (1) _____ At least 20% or more of the Units in the Project [**are and**] will continuously be maintained as both Rent-Restricted and occupied by individuals whose income is 50% or less of Area Median Gross Income.

(2) X At least 40% or more of the Units in the Project [**are and**] will continuously be maintained as both Rent-Restricted and occupied by individuals whose income is 60% or less of Area Median Gross Income.

(Check applicable percentage election)

(b) The determination of whether a Tenant is a Low-Income Tenant shall be made by the Project Owner at least annually on the basis of the current income of such Low-Income Tenant. If, upon any such annual certification, the Tenant of a Low-Income Unit who was, at the last annual income certification, a Low-Income Tenant, is found no longer to be a Low-Income Tenant, such Unit will continue to be treated as a Low-Income Unit until the next available Unit of comparable or smaller size in the Project is rented to a person who is not a Low-Income Tenant. A Low-Income Unit that has been vacated will continue to be treated as a Low-Income Unit, provided that (i) reasonable attempts are made to rent the Unit and (ii) no other Units of comparable or smaller size in the Project are rented to persons who are not Low-Income Tenants. In no case will a Unit be treated as a Low-Income Unit if all the Tenants of the Unit are students (as determined under Section 151(c)(4) of the Code); no one of whom is entitled to file a joint income tax return; provided, however, that such rule shall not apply to the types of students identified at Section 42(i)(3)(D) of the Code.

(c) The Project will contain 296 Units, of which at least 296 Units will be Low-Income Units. The amount of Tax Credits allocated to the Project is based on the requirement that the Minimum Applicable Fraction for each building in the Project will be at least 100 percent or as specified, building-by-building, at Appendix A hereto. During the Term of this Declaration, Units at the Project shall be leased and rented or made available to members of the general public who qualify as Low-Income Tenants, such that each building in the Project shall at all times satisfy the Minimum Applicable Fraction for such building. The Project Owner's failure to ensure that each building in the Project complies with such requirement will cause the Department to report such fact to the Service and may result in the reduction and recapture by the Service of Tax Credits, as well as other enforcement action.

(d) The Project and the Project Owner are subject to additional and/or modified requirements, if any, set forth at Appendix A, which requirements are incorporated herein and made a part hereof.

(e) The Project Owner will not refuse to lease a Unit at the Project to a prospective Tenant who holds a voucher or certificate of eligibility for assistance pursuant to Section 8 of the United States Housing Act of 1937, as amended, because of the status of such prospective Tenant as the holder of such voucher or certificate.

(f) During the Compliance Period and the Extended Use Period, the Project Owner, notwithstanding anything herein to the contrary, shall not (1) evict or terminate the tenancy of a Tenant of any Low-Income Unit other than for good cause nor (2) increase the gross rent with respect to a Low-Income Unit not otherwise permitted by Section 42 of the Code.

EXHIBIT "C"

APPENDIX A - ADDITIONAL USE RESTRICTIONS

(Check all items which apply.)

Additional Occupancy Restrictions

At least 30 Units in the Project must be occupied by Tenants at or below 50% of Area Median Gross Income.

Longer Compliance Period and Extended Use Period

The Compliance Period shall be a period of 20 consecutive taxable years and the Extended Use Period shall be a period of 35 consecutive taxable years, each commencing with the first year of the Credit Period.

Supportive Services

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide the following services: Education and after school program for children to be provided by the University of North Texas, or other comparable organization, if these services cannot be provided by The University of North Texas.

Community Based Board

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall be governed by a community based board, the majority of whose members live in the Project's community.

Housing for Agricultural Workers

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide housing for agricultural workers.

Transitional Housing for the Homeless

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project shall provide transitional housing for homeless persons, on a non-transient basis, with supportive services designed to assist Tenants in locating and retaining permanent housing.

Public Housing Waiting Lists

Throughout the Compliance Period, unless otherwise permitted by the Department, the Project Owner shall consider prospective Tenants referred to from the waiting list of the Housing Authority of Dallas.

Material Participation by Qualified Nonprofit Organization

Throughout the Compliance Period, a "qualified nonprofit organization" within the meaning of Section 42(h)(5)(C) of the Code shall own an interest in the Project and shall materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the Project.

Right of First Refusal to Tenant or Qualified Nonprofit Organizations

If at any time after January 1, 2014, the Project Owner shall determine to sell the Project, the Project Owner shall, prior to any such sale, notify the Department of its intent so to sell the Project. If, within the 90-day period following receipt of such notice, the Department shall identify one or more qualified nonprofit organizations, within the meaning of Section 42 (h) (5) (C) of the Code, or tenant organizations, any of which shall make a *bona fide* offer to purchase the Project for a purchase price equal to the sum of (i) the principal amount of outstanding indebtedness secured by the Project (other than indebtedness incurred within the 5-year period immediately preceding the date of said notice), and (ii) all Federal, State, and local taxes incurred or payable by the Project Owner as a consequence of such sale, the Project Owner shall sell the Project pursuant to such offer. If the Project shall, in accordance with the Declaration, have a Minimum Applicable Fraction of less than 1, the *bona fide* offer from a tenant or qualified nonprofit organization to purchase the Project shall be no less than the sum of (I) the purchase price calculated in accordance with the preceding sentence multiplied by the minimum applicable fraction and (II) the fair market value of the non-Low-Income Units. If the Department or the Project Owner shall receive *bona fide* offers to purchase the Project from more than one tenant or qualified nonprofit organization, the Project Owner shall sell the Project to the tenant or qualified nonprofit organization selected by the Department on such basis as it shall determine appropriate. The Department shall have the right to adopt procedures for (i) identifying tenant or qualified nonprofit organizations willing to purchase the Project, (ii) evaluating *bona fide* offers to purchase the Project, and (iii) determining the purchase price of the Project pursuant to the provisions of this paragraph. The tenant or nonprofit organization's exercise of the right of first refusal shall not terminate the Extended Use Period under the terms of this Declaration.

Senior Projects

Throughout the Compliance Period, unless otherwise permitted by the Department at least 80% of the Units must be restricted to households in which at least one family member is 55 years of age or older OR 100% of the Units must be restricted to households in which all household members are 62 years of age or older.¹

¹ Note: The Federal Fair Housing Act requires, generally, that projects which are limited to occupancy by older persons either (i) be restricted to households in which all members are 62 years or older or (ii) provide significant facilities and services for the elderly or meet certain other requirements and be limited to households in which at

Minimum Applicable Fraction by Building

Building Identification Number (BIN)	Minimum Applicable Fraction
TX-93-00134	100%
TX-93-00135	100%
TX-93-00136	100%
TX-93-00137	100%
TX-93-00138	100%
TX-93-00139	100%
TX-93-00140	100%
TX-93-00141	100%
TX-93-00142	100%
TX-93-00143	100%
TX-93-00144	100%
TX-93-00145	100%
TX-93-00146	100%
TX-93-00147	100%
TX-93-00148	100%
TX-93-00149	100%
TX-93-00150	100%
TX-93-00151	100%
TX-93-00152	100%
TX-93-00153	100%
TX-93-00154	100%
TX-93-00155	100%
TX-93-00156	100%
TX-93-00157	100%
TX-93-00158	100%
TX-93-00159	100%
TX-93-00160	100%
TX-93-00161	100%
TX-93-00162	100%
TX-93-00163	100%
TX-93-00164	100%
TX-93-00165	100%
TX-93-00166	100%
TX-93-00167	100%

least one member is 55 years or older. See 24 D.F.R. §§100.300-100.304 for exact requirements. All tax credit projects must comply with these requirements, as applicable under Federal law, in addition to the Declaration

TX-93-00168	100%
TX-93-00169	100%
TX-93-00170	100%
TX-93-00171	100%
TX-93-00172	100%
TX-93-00173	100%
TX-93-00174	100%
TX-93-00175	100%
TX-93-00194	100%
TX-93-00196	100%
TX-93-00197	100%
TX-93-00198	100%
TX-93-00199	100%
TX-93-00200	100%
TX-93-00201	100%
TX-93-00202	100%
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TX-93-00206	100%
TX-93-00207	100%
TX-93-00208	100%
TX-93-00209	100%
TX-93-00210	100%
TX-93-00211	100%
TX-93-00212	100%
TX-93-00213	100%
TX-93-00214	100%
TX-93-00215	100%
TX-93-00216	100%
TX-93-00217	100%

PREPARED BY:

Texas Department of Housing
and Community Affairs
Legal Services Division
P.O. Box 13941
Austin, Texas 78711-3941
(512) 305-9005

AFTER RECORDING RETURN TO:

Texas Department of Housing
and Community Affairs
Asset Management Division
P.O. Box 13941
Austin, Texas 78711-3941
Attn: Raquel Morales

Filed and Recorded
Official Public Records
John F. Warren, County Clerk
Dallas County TEXAS
07/03/2013 04:21:49 PM
\$92.00



A handwritten signature in black ink, appearing to be "JFW", is written over the seal.

201300210550

EXHIBIT C

**PARTIAL RELEASE FROM DECLARATION OF LAND USE RESTRICTIVE
COVENANTS FOR LOW-INCOME HOUSING CREDITS**

Wynnewood Seniors Housing (Phase 1)

[See attached]

ELECTRONICALLY RECORDED 201200274919
09/17/2012 11:33:28 AM PR REL 1/11

PARTIAL RELEASE FROM DECLARATION OF LAND USE RESTRICTIVE
COVENANTS FOR LOW-INCOME HOUSING CREDITS
(this "Partial Release")

NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON,
YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING
INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN
REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS:
YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

This **PARTIAL RELEASE** is effective as of the date executed by the **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**, a public and official agency of the State of Texas (the "**Department**"). The Department hereby executes this Partial Release for the purpose of releasing the real property located in Dallas County, Texas, more particularly described in **Exhibit "B"** attached hereto and incorporated herein (the "**Property**"), from that certain Declaration of Land Use Restrictive Covenants For Low-Income Housing Credits dated as of December 21, 1995, executed by and between **WCH LIMITED PARTNERSHIP**, a Texas limited partnership, ("**Original Project Owner**"), and the Department, filed and recorded on December 28, 1995 in Volume 95250, Page 01506 of the Official Public Records of Dallas County, Texas (the "**Declaration**") (the "**Records**"), filed upon and against the real property more particularly described in **Exhibit "A"** attached hereto and made a part hereof.

For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Department, the Department hereby **RELEASES** and **DISCHARGES** only the Property from any and all covenants, reservations and restrictions imposed by the Declaration.


All fees and charges incurred in connection with this Partial Release, including but not limited to fees for recordation in the county records, shall be the responsibility of the Original Project Owner.

When the context requires, singular nouns and pronouns include the plural.

By executing this Partial Release, the Department makes no representation or warranty as to its efficacy or enforceability with respect to any party other than the Department.

DEPARTMENT:

TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS, a public and official
agency of the State of Texas

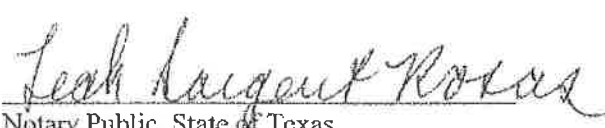
By: 
Name: Timothy K. Irvine
Its duly authorized officer or representative

THE STATE OF TEXAS §
§
COUNTY OF TRAVIS §

This instrument was acknowledged before me on this 12th day of
September, 2012, by Timothy K. Irvine, duly authorized representative of the TEXAS
DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS, a public and official agency
of the State of Texas, on behalf of said agency.

(Seal)




Notary Public, State of Texas

PREPARED BY:
Texas Department of Housing
and Community Affairs
Legal Services Division
221 East 11th Street
Austin, Texas 78701
(512) 305-9005

AFTER RECORDING RETURN TO:
Texas Department of Housing
and Community Affairs
Compliance and Oversight Division
P.O. Box 13941
Austin, Texas 78711-3941
Attn: Amy Hammond

EXHIBIT "A"

LEGAL DESCRIPTION OF THE PROPERTY

(See attached five (5) pages metes and bounds legal description attached hereto and made a part hereof for all purposes.)

EXHIBIT "A"

TRACT I:

Description of an 18.4520 acre tract of land, said tract being known as Wynnewood Gardens #4 and being that property designated as the Eighth Section of Wynnewood, an addition to the City of Dallas, Dallas County, Texas, as recorded in Volume 12, Pages 78-A, B and C of the Map Records of Dallas County, Texas, said tract being in Block 5873 of the City of Dallas, said 18.4520 acre tract being that same property shown as Part 1, Part 2 and Part 3 on survey plats prepared by Powell & Powell Engineers in May 1949, and bearing Drawing Numbers P-115.48, P-115.49 and P-115.50, respectively, said 18.4520 acre tract being more particularly described as follows:

BEGINNING at a one half inch iron rod set for corner at the intersection of the North right-of-way line of Wynnewood Drive (70 feet wide) and the Easterly right-of-way line of Llewellyn Avenue (80 feet wide) said point being the Southwest corner of said Eighth Section of Wynnewood;

THENCE North 17 deg. 43 min. 07 sec. West, with said line of Llewellyn Avenue, a distance of 182.08 feet to a 5/8 inch iron rod found at the beginning of a curve to the right, the center of which bears North 72 deg. 16 min. 53 sec. East, a distance of 700.94 feet from said point;

THENCE with said curve to the right, transitioning from the East line of Llewellyn Avenue to the East right-of-way line of Pratt Street (50 feet wide) through a central angle of 25 deg. 22 min. 16 sec., an arc distance of 310.38 feet to a one half inch iron rod set at the end of said curve;

THENCE North 07 deg. 39 min. 09 sec. East, with the East line of Pratt Street, a distance of 15.10 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 82 deg. 20 min. 51 sec. a distance of 1884.86 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right through a central angle of 06 deg. 54 min. 47 sec., an arc distance of 227.42 feet to a Hilti Nail set at the end of said curve;

THENCE North 14 deg. 33 min. 56 sec. East, with said line of Pratt Street, a distance of 3.30 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 75 deg. 26 min. 04 sec. East a distance of 3249.04 feet from said point;

THENCE with said line of said Pratt Street and with said curve to the right, at an arc distance of 71.01 feet a railroad spike set for line, in all, through a central angle of 11 deg. 45 min. 24 sec. an arc distance of 666.68 feet to a one half inch iron rod set at the end of said curve;

THENCE North 26 deg. 19 min. 20 sec. East, with said line of Pratt Street, a distance of 251.28 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 63 deg. 40 min. 40 sec. East a distance of 1884.86 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right, at an arc distance of 210.43 feet a one half inch iron rod set for line, in all, through a central angle of 18 deg. 50 min. 00 sec. an arc distance of 619.56 feet to a one half inch iron rod set at the end of said curve;

THENCE North 45 deg. 09 min. 20 sec. East with said line of Pratt Street, a distance of 359.96 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears South 44 deg. 50 min. 40 sec. East a distance of 452.82 feet from said point;

THENCE with said line of Pratt Street, and with said curve to the right through a central angle of 15 deg. 58 min. 52 sec., an arc distance of 126.30 feet to a one half inch iron rod set at the end of said curve and at the beginning of a curve to the right the center of which bears South 28 deg. 51 min. 48 sec. East a distance of 125.00 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right, through a central angle of 60 deg. 37 min. 48 sec. an arc distance of 132.27 feet to a Hilti Nail set at the end of said curve and at the beginning of a curve to the right the center of which bears South 31 deg. 46 min. 00 sec. West a distance of 32.99 feet from said point;

THENCE with said line of Pratt Street and with said curve to the right through a central angle of 90 deg. 00 min. 00 sec., an arc distance of 51.82 feet to a one half inch iron rod set at the end of said curve in the West right-of-way line of Zang Boulevard (125 feet wide);

THENCE South 31 deg. 46 min. 00 sec. West with said line of Zang Boulevard, a distance of 752.12 feet to a one half inch iron rod set at the beginning of a curve to the left the center of which bears South 58 deg. 14 min. 00 sec. East a distance of 3882.22 feet from said point;

THENCE with said line of Zang Boulevard and with said curve to the left, at an arc distance of 120.29 feet, a one half inch iron rod set for line, at an arc distance of 1106.80 feet, a one half inch iron rod set for line, in all, through a central angle of 26 deg. 34 min. 32 sec., an arc distance of 1800.69 feet, to a one half inch iron rod set for corner in the North line of Wynnewood Drive;

THENCE South 84 deg. 24 min. 15 sec. West with the North line of Wynnewood Drive a distance of 200.55 feet to the PLACE OF BEGINNING;

CONTAINING 803,768 square feet or 18.4520 acres of land, more or less.

TRACT II:

Description of 29.9557 acre tract of land, said tract being known as Wynnewood Gardens No. 5 and being that property designated as the Ninth Section of Wynnewood, an addition to the City of Dallas, Dallas County, Texas, as recorded in Volume 12, Page 214-A of the Map Records of Dallas County, Texas, said tract being in Block 5973 of the City of Dallas, said 29.9557 acre tract being that same property shown as Part 1, Part 2, Part 3 and Part 4 on survey plats prepared by Powell & Powell Engineers in June 1949 and being Drawing Numbers P-115.51, P-115.52 and P-115.53, respectively, said 29.9557 acre tract being more particularly described as follows:

BEGINNING at a one half inch iron rod found for corner in the East right-of-way line of Zang Boulevard (125 feet wide) said point being North 00 deg. 03 min. 00 sec. West a distance of 576.51 feet from the intersection of said line of Zang Boulevard with the North right-of-way line of Illinois Avenue (100 feet wide);

THENCE North 00 deg. 03 min. 00 sec. West with said line of Zang Boulevard, at 302.82 feet pass a one half inch iron rod set for line, in all, a distance of 378.34 feet to a one half inch iron rod set at the beginning of a curve to the right the center of which bears North 89 deg. 57 min. 00 sec. East, a distance of 3757.22 feet;

THENCE with said line of Zang Boulevard and with said curve to the right, at an arc distance of 993.93 feet pass a one half inch iron rod set for line, in all, through a central angle of 31 deg. 49 min. 00 sec. an arc distance of 2088.41 feet to a one half inch iron rod set at the end of said curve;

THENCE North 31 deg. 46 min. 00 sec. East, at 23.72 feet pass a one half inch iron rod set for line, in all a distance of 1242.95 feet to a one half inch iron rod set at angle point;

THENCE North 38 deg. 44 min. 57 sec. East, with said line of Zang Boulevard a distance of 121.49 feet to a one half inch iron rod set for corner;

THENCE South 75 deg. 23 min. 30 sec. East a distance of 31.00 feet to a one half inch iron rod set for corner in the West line of a tract owned by the City of Dallas, said tract being the old Dallas Southern Traction Company right-of-way, said point being in a curve to the left the center of which bears South 75 deg. 23 min. 30 sec. East a distance of 1474.69 feet from said point;

THENCE with said curve to the left through a central angle of 13 deg. 00 min. 00 sec. an arc distance of 334.59 feet to a one half inch iron rod set at the end of said curve;

THENCE South 01 deg. 36 min. 40 sec. West a distance of 57.76 feet to a point in the center of the South Branch of Cedar Creek;

THENCE in a Southerly direction with the meanders of the center of South Branch of Cedar Creek the following courses and distances:

THENCE South 81 deg. 36 min. 40 sec. West a distance of 70.95 feet to an angle point;

THENCE South 46 deg. 12 min. 00 sec. West a distance of 100.00 feet to an angle point;

THENCE South 20 deg. 53 min. 40 sec. West a distance of 207.50 feet to an angle point;

THENCE South 14 deg. 05 min. 10 sec. East a distance of 103.00 feet to an angle point;

THENCE South 21 deg. 37 min. 45 sec. West a distance of 174.20 feet to an angle point;

THENCE South 06 deg. 24 min. 00 sec. East a distance of 242.80 feet to an angle point;

THENCE South 27 deg. 04 min. 45 sec. West a distance of 237.54 feet to an angle point;

THENCE South 28 deg. 09 min. 40 sec. West a distance of 212.41 feet to an angle point;

THENCE South 45 deg. 44 min. 10 sec. West a distance of 96.76 feet to an angle point;

THENCE South 21 deg. 16 min. 00 sec. West a distance of 198.85 feet to an angle point;

THENCE South 42 deg. 49 min. 00 sec. West a distance of 160.27 feet to an angle point;

THENCE South 22 deg. 53 min. 20 sec. West a distance of 223.32 feet to an angle point;

THENCE South 07 deg. 42 min. 45 sec. East, a distance of 107.12 feet to an angle point;

THENCE South 18 deg. 28 min. 00 sec. East a distance of 231.65 feet to an angle point;

THENCE South 09 deg. 26 min. 40 sec. West a distance of 187.07 feet to an angle point;

THENCE South 02 deg. 48 min. 10 sec. West a distance of 100.77 feet to an angle point;

THENCE South 14 deg. 07 min. 20 sec. West a distance of 45.04 feet to an angle point;

THENCE South 49 deg. 42 min. 00 sec. West a distance of 241.09 feet to an angle point;

THENCE South 01 deg. 49 min. 20 sec. East a distance of 136.08 feet to an angle point;

THENCE South 38 deg. 48 min. 15 sec. West a distance of 105.41 feet to an angle point;

THENCE South 08 deg. 29 min. 15 sec. East a distance of 135.35 feet to an angle point;

THENCE South 14 deg. 58 min. 55 sec. East a distance of 52.40 feet to an angle point;

THENCE South 72 deg. 47 min. 20 sec. East a distance of 53.21 feet to an angle point;

THENCE South 20 deg. 30 min. 55 sec. East a distance of 39.81 feet to an angle point;

THENCE South 56 deg. 04 min. 45 sec. West a distance of 86.07 feet to an angle point;

THENCE South 03 deg. 47 min. 50 sec. East a distance of 113.55 feet to an angle point for corner;

THENCE South 81 deg. 40 min. 30 sec. West, leaving South Branch of Cedar Creek, a distance of 153.01 feet to a one half inch iron rod found for angle point;

THENCE North 88 deg. 50 min. 00 sec. West a distance of 161.47 feet to the PLACE OF BEGINNING;

CONTAINING 1,304,870 square feet or 29.9557 acres of land, more or less.

EXHIBIT "B"

8.4528 ACRES TO BE RELEASED FROM DECLARATION

(See two (2) page metes and bounds legal description attached hereto and made a part hereof for all purposes.)

EXHIBIT "B"

8.4528 ACRES TO BE RELEASED FROM DECLARATION

Description of an 8.4528 acre tract of land situated in the John W. Wright Survey, Abstract No. 1622, City of Dallas, Dallas County, Texas and being a portion of Wynnewood Gardens No. 4, Eighth Section of Wynnewood, an addition to the City of Dallas, Texas according to the plat thereof recorded in Volume 12 Pages 78-A, B and C, Map Records, Dallas County, Texas; said 8.4528 acre tract also being a portion of Tract 1 conveyed to WCH Limited Partnership in Special Warranty Deed recorded in Volume 93237, Page 5104, Deed Records, Dallas County, Texas; said 11.6297 acre tract being more particularly described by metes and bounds as follows:

COMMENCING, at a 1/2-inch iron rod found at the intersection of the north right-of-way line of Wynnewood Drive (70 feet wide) and the easterly right-of-way line of Llewellyn Avenue (80 feet wide); said point also being the southwest corner of said Eighth Section of Wynnewood;

THENCE, North 17 degrees 43 minutes 07 seconds West, with said easterly right-of-way line of Llewellyn Avenue, a distance of 182.08 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the right having a radius of 700.94 feet;

THENCE, northwesterly, with said curve to the right and transitioning from the easterly right-of-way line of Llewellyn Avenue to the east right-of-way line of Pratt Street (50 feet wide), through a central angle of 25 degrees 22 minutes 16 seconds, an arc distance of 310.38 feet (chord bears North 05 degrees 02 minutes 02 seconds West, 307.85 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the end of said curve;

THENCE, with the said east right-of-way line of Pratt Street, the following metes and bounds:

North 07 degrees 39 minutes 06 seconds East, a distance of 15.10 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the right having a radius of 1,884.86 feet;

Northeasterly, with said curve to the right, through a central angle of 06 degrees 54 minutes 47 seconds, an arc distance of 227.42 feet (chord bears North 11 degrees 06 minutes 29 seconds East, 227.28 feet) to a "+" cut in concrete set at the end of said curve;

North 14 degrees 33 minutes 56 seconds East, a distance of 3.30 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the right having a radius of 3,249.04 feet;

Northeasterly, with said curve to the right, through a central angle of 11 degrees 43 minutes 24 seconds, an arc distance of 666.68 feet (chord bears North 20 degrees 26 minutes 35 seconds East, 665.51 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set (1/2-inch iron rod found South 68 degrees 34 minutes 11 seconds East, 1.14 feet) at the end of said curve;

North 26 degrees 19 minutes 20 seconds East, a distance of 27.24 feet to the POINT OF BEGINNING of said 8.4528 acre tract;

EXHIBIT "B" - CONTINUED

THENCE, with the said east right-of-way line of Pratt Street, the following metes and bounds:

North 26 degrees 19 minutes 20 seconds East, a distance of 251.28 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set (1/2-inch iron rod found South 76 degrees 21 minutes 51 seconds East, 1.00 feet) at the beginning of a curve to the right having a radius of 1,884.86 feet;

Northeasterly, with said curve to the right, through a central angle of 18 degrees 50 minutes 00 seconds, an arc distance of 619.56 feet (chord bears North 35 degrees 44 minutes 17 seconds East, 616.77 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the end of said curve;

North 45 degrees 09 minutes 20 seconds East, a distance of 359.96 feet to a 1/2-inch iron rod found at the beginning of a curve to the right having a radius of 452.82 feet;

Northeasterly, with said curve to the right, through a central angle of 15 degrees 58 minutes 52 seconds, an arc distance of 126.30 feet (chord bears North 53 degrees 08 minutes 43 seconds East, 125.89 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the end of said curve: said point also being the beginning of a curve to the right having a radius of 125.00 feet;

Southeasterly, with said curve to the right, through a central angle of 60 degrees 37 minutes 48 seconds, an arc distance of 132.27 feet (chord bears South 88 degrees 32 minutes 57 seconds East, 126.19 feet) to a 1/2-inch iron rod found at the end of said curve; said point also being the beginning of a curve to the right having a radius of 32.99 feet;

Southeasterly, with said curve to the right, through a central angle of 90 degrees 00 minutes 00 seconds, an arc distance of 51.82 feet (chord bears South 13 degrees 14 minutes 03 seconds East, 46.65 feet) to a 1/2-inch iron rod found at the end of said curve; said point also being on the west right-of-way line of Zang Boulevard (125 feet wide);

THENCE, with the said west right-of-way line of Zang Boulevard, the following metes and bounds:

South 31 degrees 46 minutes 00 seconds West, 752.12 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the left having a radius of 3,882.22;

Southwesterly, with said curve to the left, through a central angle of 08 degrees 11 minutes 03 seconds, an arc distance of 554.54 feet (chord bears South 27 degrees 40 minutes 29 seconds West, 554.06 feet) to a point for corner;

THENCE, North 63 degrees 40 minutes 40 seconds West, a distance of 333.68 feet to the POINT OF BEGINNING and CONTAINING 368,206 square feet or 8.4528 acres of land, more or less.

**Filed and Recorded
Official Public Records
John F. Warren, County Clerk
Dallas County, TEXAS
09/17/2012 11:33:28 AM
\$56.00
201200274919**



EXHIBIT D

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
LAND USE RESTRICTIVE AGREEMENT FOR LOW INCOME HOUSING CREDITS**

Wynnewood Seniors Housing (Phase 1)

[See attached]

**DECLARATION OF LAND USE RESTRICTIVE COVENANTS
LAND USE RESTRICTION AGREEMENT FOR LOW INCOME HOUSING TAX CREDITS**

THIS DECLARATION OF LAND USE RESTRICTIVE COVENANTS/LAND USE RESTRICTION AGREEMENT FOR LOW-INCOME HOUSING TAX CREDITS (this "Declaration"), dated as of **SEPTEMBER 5, 2012**, is made by and between **WYNNEWOOD SENIORS HOUSING, LP** (together with its successors and assigns, the "Development Owner") and The Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas. (Together with any successor to its rights, duties and obligations, the "Department"), and is given by Development Owner as an inducement to the Department to allocate tax credits as a condition precedent to the determination that the Development, as defined herein, satisfies the requirements of the State of Texas's Qualified Allocation Plan and the allocation of low-income housing tax credits (the "Tax Credits"), pursuant to Section 42 of the Internal Revenue Code of 1986, as amended, and regulations promulgated pursuant thereto (the "Code"), by the Department. This Declaration incorporates the extended low-income housing commitment required by Section 42(h)(6) of the Code and is promulgated in accordance with the provisions of Chapter 2306, Tex. Gov. Code, (the "Act"), as may be amended from time to time.

WITNESSETH:

WHEREAS, the Development Owner is or shall be the Development Owner of a low income rental housing development, known as or to be known as **WYNNEWOOD SENIORS HOUSING** (the "Development Improvements"), on real property located in the City of **DALLAS**, County of **DALLAS**, State of Texas, more particularly described in Exhibit A hereto (the "Development Land") (the Development Improvements and the Development Land being collectively referred to herein as the "Development");

WHEREAS, the Department has been designated by the Governor of the State of Texas as the housing credit agency for the State of Texas for the allocation of Tax Credits;

WHEREAS, the Development Owner has represented to the Department in the Development Owner's Low-Income Housing Tax Credit Application (the "Application"), authorized by the Department's Low-Income Rental Housing Tax Credit Rules (the "Department Rules"), that the Development Owner shall lease **100%** of the units in the Development to individuals or families whose income is **60%** or less of the area median gross income (including adjustments for family size), as more specifically provided herein, such Application being incorporated herein by reference for all purposes;

WHEREAS, the Development Owner has represented to the Department in the Application that it will impose additional rent, occupancy, and ownership restrictions as shown in Appendix A of this document.

WHEREAS, the Development Owner is subject to the regulatory and oversight powers of the Department and other terms and conditions of Chapter 2306, Tex. Gov. Code;

WHEREAS, the Code requires, as a condition precedent to the allocation of Tax Credits, that the Development Owner execute, deliver and record in the real property records of the county in which the Development is located this Declaration in order to create certain covenants running with the land for the purpose of enforcing the requirements of Section 42 of the Code by regulating and restricting the use, occupancy and transfer of the Development as set forth herein; and

WHEREAS, the Development Owner, under this Declaration, intends, declares and covenants that the regulatory and restrictive covenants set forth herein governing the use, occupancy and transfer of the Development shall be and are covenants running with the Development Land for the Term stated herein, are binding upon all subsequent owners and operators of the Development during such Term, and are not merely personal covenants of the Development Owner.

NOW, THEREFORE, in consideration of the premises set forth above, and of other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Development Owner and the Department agree as follows:

SECTION 1 - DEFINITIONS

(a) Unless the context otherwise requires, and in addition to those terms defined in the recitals set forth above, capitalized terms used in this Declaration shall have the following meanings:

Act--Means the Texas Government Code, Chapter 2306, as amended or any corresponding provision or provisions of succeeding law as it or they may be amended from time to time.

Area Median Gross Income (AMGI)--Area median gross household income, as determined for all purposes under and in accordance with the requirements of §42 of the Code.

Assumption Agreement--An agreement regarding the transfer of the property that meets the requirements of Section 3(i) hereof.

Board--Means the governing board of the Department.

Compliance Period--Means with respect to any building, the period of 15 taxable years beginning with the 1st taxable year of the credit period.

Credit Period--Means with respect to any building, the period of 10 taxable years beginning with the taxable year in which the building is placed in service, or at the election of the taxpayer, the succeeding taxable year, but only if the building is a qualified low-income building as of the close of the 1st year of such period.

Department Compliance Monitoring Procedures--Means those procedures and requirements adopted or imposed by the Department, and modified by the Department from time to time, for the purpose of discharging its responsibilities pursuant to Section 42(m)(1)(B)(iii) of the Code to monitor compliance by the Development Owner and the Development with the provisions of Section 42 of the Code and to notify the Service of instances of noncompliance.

Department Rules--Refers to the Texas Administrative Code, Title 10, Part 1

Extended Use Period--Means the period beginning on the first day in the compliance period on which such building is part of a qualified low-income housing project and ending on the later of the date specified by such agency in such agreement, or the date which is 15 years after the close of the compliance period.

Gross Rent--Means all amounts paid by a Tenant for rent, determined in a manner consistent with Section 42(g)(2) of the Code. Gross Rent shall include any utility allowance prescribed by the Secretary.

Income--Means the income of a Tenant determined in a manner consistent with the requirements of Section 42(g)(1) of the Code.

Low-Income--Means, with respect to any Tenant, an income level not exceeding 50% or 60% of Area Median Gross Income, adjusted for family size, as provided in Section 4 hereof, unless an alternative income level shall be set forth at Appendix A hereto.

Low-Income Tenant--Means a Tenant who, when the Tenant originally occupied the Unit, had an Income qualifying as Low-Income. For so long as the Tenant occupies the particular Unit, the Tenant will remain a Low-Income Tenant if the Tenant's Income, upon the most recent income certification, does not exceed 140% of the applicable Low-Income level.

Low Income Unit--A Unit that is intended to be restricted for occupancy by an income eligible household, as defined by the Department.

Minimum Applicable Fraction--Means the percentage with respect to a building in the Development, calculated as the lesser of the percentage of Units in such building which are Low-Income Units or the percentage of floor space of all Units in such building which is in Low-Income Units, all calculated as required pursuant to Section 42(c)(1)(b) of the Code, which serves as the basis for the Department's allocation of Tax Credits to the building as provided in Section 4(c) hereof.

Principal--The term Principal is defined as Persons that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:

(A) Partnerships, Principals include all General Partners, Special Limited Partners and Principals with ownership interest;

(B) Corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, and each stock holder having a 10% or more interest in the corporation and any individual Controlling such stock holder; and

(C) Limited liability companies, Principals include all managing members, members having a 10% or more interest in the limited liability company, any individual controlling such members, or any officer authorized to act on behalf of the limited liability company.

Rent-Restricted--Means, with respect to any Unit, that the Gross Rent with respect to such Unit is not more than 30% of the imputed income limitation applicable to such Unit pursuant to Section 42(g)(2)(C) of the Code.

Secretary--Means the Secretary of the Treasury of the United States.

Service--Means the United States Internal Revenue Service and any successor thereto.

State--Means the State of Texas.

Tenant--Means the individual or individuals entitled to occupy a Unit in the Development by lease or other legal relationship with the Development Owner.

Term--Means the length of time this declaration shall remain in effect as set out in Section 5 hereof.

Unit--Means any residential rental unit in a development consisting of an accommodation, including a single room used as an accommodation on a non-transient basis that contains complete physical facilities and fixtures for living, sleeping, eating, cooking, and sanitation.

(b) Any term or phrase which is used in this Declaration and not defined herein shall have the meaning, if any, assigned thereto in Section 42 of the Code, and if no meaning is assigned thereto in Section 42 of the Code, the meaning, if any, assigned in the Department Rules. Any term or phrase which is defined herein shall, unless the context shall clearly indicate otherwise, be interpreted in a manner consistent with the provisions and requirements of Section 42 of the Code.

SECTION 2 – RECORDING AND FILING; COVENANTS TO RUN WITH THE LAND

(a) The Development Owner shall, at its own cost, cause this Declaration and all amendments hereto to be recorded and filed in the official real property records of the county in which the Development is located. Upon recording, the Development Owner shall immediately transmit to the Department an executed original of the recorded Declaration stamped by the county to show the date, volume and page numbers of record. The Development Owner agrees that the Department will not issue the Internal Revenue Service Form 8609, evidencing final allocation of the Tax Credits, unless and until the Department has received the recorded, executed original of the Declaration.

(b) The Development Owner intends, declares and covenants, on behalf of itself and all future owners and operators of the Development during the Term of this Declaration, that this Declaration and the covenants and restrictions set forth in this Declaration regulating and restricting the use, occupancy and transfer of the Development (i) shall be and are covenants running with the Development Land, encumbering the Development Land for the Term of this Declaration and binding upon the Development Owner's successors in title and all subsequent owners and operators of the Development Land, and (ii) shall bind the Development Owner (and the benefits shall inure to the Department and any past, present or prospective Tenant of the Development) and its respective successors and assigns during the Term of this Declaration. The Development Owner hereby agrees that any and all requirements of the laws of the State of Texas to be satisfied in order for the provisions of this Declaration to constitute deed restrictions and covenants running with the land shall be deemed to be satisfied in full, and that any requirements or privileges of estate are intended to be satisfied, or in the alternate, that an equitable servitude has been created to insure that these restrictions run with the Development Land. For the Term of this Declaration, each and every contract, deed or other instrument hereafter executed conveying the Development or portion thereof shall expressly provide that such conveyance is subject to this Declaration; provided, however, that the covenants contained herein shall survive and be effective regardless of whether such contract, deed or other instrument hereafter executed conveying the Development or portion thereof provides that such conveyance is subject to this Declaration.

(c) The Development Owner shall obtain the written consent of any existing Leinholder of record (each an "Existing Leinholder") on the Development to this Declaration and the requirements hereof, including specifically the requirements of Section 5(b)(1) and Section 5(c) with respect to provisions which survive or may be revived after foreclosure, and such consent shall be in a form promulgated by

the Department from time to time and shall be a condition precedent to the issuance by the Department of Internal Revenue Service Form 8609, evidencing final allocation of the Tax Credits. The Development Owner represents and warrants to the Department that attached hereto as Addendum A and made a part hereof is an executed and acknowledged Leinholder's Consent from each Existing Leinholder, if any, as of the effective date hereof.

SECTION 3 – REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE DEVELOPMENT OWNER

The Development Owner hereby represents covenants and warrants as follows:

(a) The Development Owner (i) is a **LIMITED PARTNERSHIP**, duly organized and validly existing under the laws of the State of TEXAS, and is duly authorized and qualified to transact in the State any and all business contemplated by this Declaration and the Department Rules; (ii) possesses all requisite power, authority, licenses and permits to own its properties and assets and to conduct its business; and (iii) has all legal right, power and authority to execute and deliver this Declaration.

(b) The execution and performance of this Declaration by the Development Owner (i) will not violate or, as applicable, have not violated, any provision of law, rule or regulation, or any order of any court or other department of the State or governmental body; (ii) will not violate or, as applicable, have not violated, any provision of any indenture, agreement, mortgage, mortgage note or other instrument to which the Development Owner is a party or by which it or the Development is bound, and (iii) will not result in the creation or imposition of any prohibited encumbrance of any nature.

(c) The Development Owner has, at the time of execution and delivery of this Declaration, good and indefeasible fee simple title to or a leasehold interest extending at least ten years beyond the end of the Extended Use Period in the premises constituting the Development, free and clear of any lien or encumbrance, except those created by any loan documents relating to the Development, those which are created pursuant to this Declaration and those which are otherwise permitted encumbrances, as specifically set forth at Exhibit B herelo.

(d) There is no action, suit or proceeding at law or in equity or by or before any governmental instrumentality or other agency now pending, or, to the knowledge of the Development Owner threatened, against or affecting it, or any of its properties or rights, which, if adversely determined, would materially impair its right to carry on business substantially as now conducted (and as now contemplated by this Declaration) or would materially adversely affect its financial condition.

(e) The Development constitutes or will constitute, and the Development Owner covenants, that commencing with the last day of the first year of the Credit Period and continuing throughout the Term of this Declaration, it shall maintain the Development as, a "qualified low-income housing Development", as defined in Section 42(g) of the Code.

(f) Each Unit in the Development contains separate and complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation (unless the Development qualifies as a single-room occupancy Development) which is to be used on other than a transient basis as provided in Section 42(i)(3) of the Code.

(g) The Development Owner will comply fully and at all times with the Department Rules.

(h) During the Term of this Declaration, the Development Owner covenants, agrees and warrants that each Low-Income Unit is and will remain suitable for occupancy in accordance with regulations prescribed by the Secretary, taking into account local health, safety, and building codes.

(i) The Development Owner covenants that it will not without prior written approval from the Department sell, transfer or exchange any portion of any building in the Development unless it sells, transfers or exchanges the entire building to the same person. Subject to the requirements of Section 42 of the Code and this Declaration, the Development Owner may sell, transfer or exchange the entire Development or any building in the Development at any time, provided that the Development Owner shall require, as a condition precedent to any such sale, transfer or exchange, that the successor owner and operator assume, in writing, in an Assumption Agreement acceptable to the Department, the Development Owner's obligations hereunder and under Section 42 of the Code, which Assumption Agreement shall be delivered to the Department in executed, recordable form prior to any such sale, transfer or exchange. This provision shall not act to waive any other restriction on sale, transfer or exchange of the Development or any building in the Development. The Development Owner agrees that the Department may void any sale, transfer or exchange of the Development if the successor owner and operator fails to execute and deliver an Assumption Agreement or if the Development Owner or the successor owner and operator otherwise acts in contravention of this Section 3(i). This Declaration and the covenants contained herein shall survive and be effective regardless of whether any such successor owner and operator or intended successor owner and operator shall have assumed them pursuant to an executed Assumption Agreement.

(j) The Development Owner agrees to notify the Department in writing prior to any sale, transfer or exchange of the entire Development or any building therein, and to provide to the Department the name(s) and address(es) and financial reports, as applicable, of the prospective successor owner and operator of the Development or building, so the Department can determine the economic viability of such prospective successor and such Development or building and whether such prospective successor is acceptable as Development Owner under the Department Rules. The Development Owner further agrees to notify the Department in writing prior to any change in the identity of a General Partner or other Principal of the Development Owner, and to provide to the Department the name(s), address(es), and financial reports, as applicable, of any successor or additional General Partner or Principal, so the Department can determine whether such party is acceptable in such role with the Development Owner under the Department Rules.

(k) The Development Owner shall not demolish any part of the Development or substantially subtract from any real or personal property of the Development or permit the use of any Unit for any purpose other than rental housing during the Term of this Declaration, unless required by law.

(l) The Development Owner represents, warrants and agrees that if the Development, or any part thereof, shall be damaged or destroyed or shall be condemned or acquired for public use, the Development Owner will use its best efforts to repair and restore the Development to substantially the same condition as existed prior to the event causing such damage or destruction, or to relieve the condemnation, and thereafter to operate the Development in accordance with the terms of this Declaration.

(m) The Development Owner warrants that it has not and will not execute any other agreement with provisions contradictory to, or in opposition to, the provisions hereof, and that in any event, the requirements of this Declaration are paramount and controlling as to the rights and obligations herein set forth and supersede any other requirements in conflict herewith.

(n) The Development Owner agrees, warrants, and covenants to comply with all law, ordinances, statutes, codes, orders, rules, regulations and decrees of the United States, the State and any other Governmental Authority applicable to the Owner of the Development, including, without limitation, the following: the Civil Rights Act of 1964 (42 U.S.C. 2000(d)); Executive Order 11-63, as amended by Executive Order 12259; Executive Order 11246; Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.); Equal Credit Opportunity Act (15 U.S.C. 1691 et seq.); Fair Credit Reporting Act (15 U.S.C. 1681 et seq.); Fair Housing Act (42 U.S.C. 3601 et seq.); the Americans with Disabilities Act of 1990 (P.L. 101-336; Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 794); Architectural Barriers Act of 1968 (42 U.S.C. 4151 et seq.); Section 3 of the Housing and Urban Development Act of 1968; Executive Orders 11625, 12432 and 12138, as amended; the Copeland "Anti-Kickback" Act (18 U.S.C. § 874 et seq.); the Davis-Bacon Act (40 U.S.C. § 276a et seq.); Sections 103 and 107 of the Work Hours and Safety Standards Act. (40 U.S.C. § 327 et seq.); the Uniform Relocation Assistance and Real Property Acquisition Policies Act (42 U.S.C. § 4201 et seq.); the Housing and Community Development Act of 1974; the National Environmental Policy Act (42 U.S.C. § 4321 et seq.); ("NEPA"); the Lead-Based Paint Poisoning Prevention Act (42 U.S.C. § 4321 et seq.); the State of Texas Senate Bill 1356; Title 8, and Chapter 92 of the Texas Property Code; Solid Waste Disposal Act TEX. HEALTH & SAFETY CODE Ann. Ch. 361 (Vernon's 1992); Comprehensive Municipal Solid Waste Management, Resource Recovery, and Conservation Act. TEX. HEALTH & SAFETY CODE Ann. Ch 363 (Vernon's 1992); County Solid Waste Control Act. TEX. HEALTH & SAFETY CODE Ann. Ch 364 (Vernon's 1992); Texas Clean Air Act, TEX. HEALTH AND SAFETY CODE Ann. Ch. 382 (Vernon's 1992); and Hazardous Communication Act, TEXAS HEALTH AND SAFETY CODE Ann. Ch. 502 (Vernon's 1992); and such Governmental Requirements as may be from time to time amended or superseded and all of their implementing regulations, as may be amended.

(o) The Development Owner agrees to apply for and accept renewal of any rent subsidy contracts from which the Development benefits, if such subsidies are sufficient to maintain the economic viability of the Development.

SECTION 4 – INCOME RESTRICTIONS/RENTAL RESTRICTIONS

The Development Owner represents, warrants and covenants throughout the Term of this Declaration and in order to satisfy the requirements of Section 42 of the Code that at least 40% or more of the Units in the Development are and will continuously be maintained as both Rent-Restricted and occupied by individuals whose income is 60% or less of Area Median Gross Income.

(a) The determination of whether a Tenant is a Low-Income Tenant shall be made by the Development Owner according to current rules on the basis of the current income of such Low-Income Tenant. The Development Owner shall utilize forms as permitted from time to time by the Department for providing this certification. If, upon any such certification, the Tenant of a Low-Income Unit who was, at the last income certification, a Low-Income Tenant, is found no longer to be a Low-Income Tenant, such Unit will continue to be treated as a Low-Income Unit until the next available Unit of comparable or smaller size in the building in which such Unit is located is rented to a person who is not a Low-Income Tenant. A Low-Income Unit that has been vacated will continue to be treated as a Low-Income Unit, provided that (i) reasonable attempts are made to rent the Unit and (ii) no other Units of comparable or smaller size in the Development are rented to persons who are not Low-Income Tenants.

(b) During the compliance period, in no case will a Unit be treated as a Low-Income Unit if all the Tenants of the Unit are students (as determined under Section 151(c)(4) of the Code); provided, however, that such rule shall not apply to the types of students identified at Section 42(i)(3)(D) of the Code. After the compliance period, student status will be monitored in accordance with Department Rules.

(c) The Development will contain a total of **140** Units (including Units occupied by a resident manager or other employee, such that they are not treated as "residential rental units" for purposes of Section 42 of the Code), of which **140** Units treated as residential rental units will be Low-Income Units. The amount of Tax Credits allocated to the Development is based on the requirement that the Minimum Applicable Fraction for each building in the Development will be as specified, building-by-building, at Appendix E hereto. During the Term of this Declaration, Units at the Development shall be leased and rented or made available to members of the general public who qualify as Low-Income Tenants; such that each building in the Development shall at all times satisfy the Minimum Applicable Fraction for such building. The Development Owner's failure to ensure that each building in the Development complies with such requirement will cause the Department to report such fact to the Service and may result in the reduction and recapture by the Service of Tax Credits, as well as other enforcement action. After the compliance period, Minimum Applicable Fraction will be monitored in accordance with Department Rules.

(d) The Development and the Development Owner are subject to additional and/or modified requirements, if any, set forth at Appendix A, which requirements are incorporated herein and made a part hereof.

(e) The Development Owner shall not discriminate on the basis of race, color, national origin, religion, sex, familial status, or disability in the lease, use or occupancy of the Development Improvements or in connection with the employment or application for employment of persons for the operation and management of the Development and shall not deny admission to any person exclusively on the basis of such person receiving rental assistance payments under a local, state, federal or other housing assistance program, including, but not limited to, Section 8 of the United States Housing Act of 1937 as amended.

(f) The Development Owner acknowledges that whether a Tenant is a Low-Income Tenant is a matter of fact, to be determined in accordance with applicable law, and the Development's Owner's determination as to such matter is not binding upon the Department or the Service.

(g) During the Compliance Period and the Extended Use Period, the Development Owner, notwithstanding anything herein to the contrary, shall not (1) evict or terminate the tenancy of a Tenant of any Low-Income Unit other than for good cause nor (2) increase the gross rent with respect to a low-income unit not otherwise permitted by Section 42 of the Code.

SECTION 5 – TERM OF DECLARATION

(a) This Declaration shall become effective with respect to a building in the Development on the first day of the Compliance Period for such building and shall terminate on the last day of the Extended Use Period, unless this Agreement is earlier terminated pursuant to Section 5(b) hereof (the "Term").

(b) Notwithstanding subsection (a) above, but subject to any modified or additional requirements set forth in Appendix A, in which event the terms of this Agreement shall be modified as applicable, this Declaration shall terminate:

(1) with respect to any building in the Development, on the date such building is acquired by foreclosure (or instrument in lieu of foreclosure), upon the recorded declaration of termination of the party so acquiring the building, unless the Secretary or his delegate determines that such acquisition is part of an arrangement with the taxpayer a purpose of which is to terminate such period. If any party acquiring a building by foreclosure (or instrument in lieu of foreclosure) fails to record a declaration terminating this Declaration, the building shall remain subject to this Declaration, and the eligibility of such party to receive Tax Credits shall not be adversely affected, if such party continues to comply with Section 42 of the Code and the terms of this Declaration; or

(2) following the end of the Compliance Period, but not later than 30 years following the date upon which the Development was first placed in service pursuant to the requirements of this Declaration, if the Development Owner has properly requested that the Department assist in procuring a "Qualified Contract", as defined in the Code, for the acquisition of a building and the Department is unable to present a Qualified Contract. To properly request the Department's assistance in procuring a Qualified Contract for the acquisition of a building, the Development Owner must follow the procedures outlined in the Department Rules.

(3) following the end of the Compliance Period, subject to the consent of the Department, upon the acquisition of the Development by the Tenants of the Development, pursuant to a right of first refusal under Section 42(i)(7) of the Code.

(c) If this Declaration is terminated pursuant to subsection (b) above and notwithstanding anything herein to the contrary, the Tenant of any Low-Income Unit on the date of such termination shall be entitled to occupy such Unit in accordance with the provisions of this Declaration for a period of three years following such termination date, provided, however, that upon a showing of good cause, such Tenant's tenancy may be terminated or such Tenant evicted.

SECTION 6 – ENFORCEMENT, ADMINISTRATION AND COMPLIANCE

(a) The Development Owner covenants that it will not knowingly take or permit any action that would result in a violation of the requirements of Section 42 of the Code or this Declaration. Moreover, the Development Owner covenants to take any lawful action (including amendment of this Declaration as may be necessary in the sole opinion and at the request of the Department) to comply fully with the Code and with all applicable rules, rulings, policies, procedures, regulations or other official statements promulgated or proposed by the United States Department of the Treasury, the Service, or the United States Department of Housing and Urban Development, from time to time, pertaining to the Development Owner's obligations under Section 42 of the Code and affecting the Development.

(b) The Development Owner acknowledges that the primary purpose for requiring compliance by the Development Owner with the restrictions provided in this Declaration is to assure compliance of the Development and by the Development Owner with Section 42 of the Code and the Department Rules, AND BY REASON THEREOF, THE DEVELOPMENT OWNER, IN CONSIDERATION FOR RECEIVING THE TAX CREDITS FOR THIS DEVELOPMENT, HEREBY AGREES THAT THE DEPARTMENT AND ANY INDIVIDUAL WHO MEETS THE APPLICABLE INCOME LIMITATION UNDER SECTION 42 (WHETHER PROSPECTIVE, PRESENT OR FORMER TENANT) SHALL BE ENTITLED, FOR ANY BREACH OF THE PROVISIONS HEREOF, AND IN ADDITION TO ALL OTHER REMEDIES PROVIDED BY LAW OR IN EQUITY, TO ENFORCE SPECIFIC PERFORMANCE BY THE DEVELOPMENT OWNER OF ITS OBLIGATIONS UNDER THIS DECLARATION IN A STATE COURT OF COMPETENT JURISDICTION. The Development Owner hereby further specifically acknowledges that the beneficiaries of the Development Owner's obligations hereunder cannot be adequately compensated by monetary damages in the event of any default hereunder. The Development Owner, still further, acknowledges and agrees that any party which brings an action to enforce any requirement of this Declaration, whether by specific performance or otherwise, shall be entitled, if successful, to recover such party's reasonable attorney's fees.

(c) The Development Owner hereby agrees that the representations and covenants set forth herein may be relied upon by the Department and all persons interested in Development compliance under Section 42 of the Code.

(d) The Development Owner acknowledges that the Department is required, pursuant to Section 42(m)(1)(B)(iii) of the Code, (i) to monitor the Development Owner's and the Development's compliance with the requirements of Section 42 of the Code, and (ii) to notify the Service in accordance with the Code and the rules of the Service of any noncompliance which is found. The Development Owner agrees (I) to maintain records that substantiate and document such compliance, (II) to take all actions required by the Department pursuant to the Department Compliance Monitoring Procedures to assist or cooperate with the Department in monitoring such compliance, and (III) to pay the fee prescribed by the Department with respect to such monitoring.

(e) The Development Owner agrees that the Department may enforce all state and federal law, the Department Rules and the terms of any allocation of Tax Credits through this Declaration, and utilize for such purposes any and all remedies available to the Department including but not limited to administrative or judicial action, appointment of trustee or receiver, or assume the management and operations of the Development.

(f) The Development Owner agrees the Department may, at reasonable times and upon adequate notice at any time during the construction, rehabilitation, or operation of the Development, enter and inspect the Development to evaluate its physical and financial condition, construction, rehabilitation, operation, management and maintenance.

(g) The Development Owner agrees the Department may, at reasonable times and upon adequate notice, examine and photocopy all books and records, request and receive from the Development Owner one or more reports, relating to the ownership, operations, capitalization, reserve funds, income, expenses and other financial and regulatory matters of the Development or the Development Owner. This includes compliance with the Annual Owner's Certification of Development Completion, Fair Housing Sponsor report, and Owner's Financial Certification in a form and timeline as prescribed by the Department.

(h) The Development Owner agrees that the Department may at any time order it and/or its managing agent or Development manager to do whatever is necessary to comply with or refrain from violating an applicable law, ordinance, Department Rules, or term of an agreement regarding the Development, and that the Department may file and prosecute a complaint against a managing agent, Development manager, or the Development Owner for a violation of any applicable law or ordinance. The Development Owner acknowledges and agrees that, in the event that the Development Owner is found to have violated an applicable law, ordinance, Department Rules, or term of an agreement regarding the Development, the Department shall have the right, among other remedies and without limitation, to limit or deny participation by the Development Owner in any of the programs operated or administered by the Department; and/or assess appropriate monetary penalties.

(i) Upon a determination by the Department that the Development Owner has failed to maintain the Development in good and habitable condition and suitable for occupancy as hereinabove required, the Development Owner agrees, upon the Department's direction, to establish a reserve for replacement and repairs to the Development in such initial amount and with such monthly deposits as the Department may direct. Such reserve shall be held for the benefit of the Development Owner and the Development by such party as the Department shall direct, and disbursements shall be made there from only upon direction of or approval by the Department.

(j) The Development Owner agrees to indemnify and hold harmless the Board members, Department officers, directors and employees from and against all liabilities, losses, claims, damages, judgments, costs and expenses (including, without limitation, reasonable attorneys' fees) incurred by the Department as a result of any material inaccuracy in any of the representations and warranties contained in this Declaration, or as a result of any action or inaction by the Development Owner, including claims by third parties.

(k) The Development Owner agrees that should any claims, demands, suits or other legal proceedings be made or instituted by any person against the Department which arise out of any of the matters relating to this Declaration, Development Owner will cooperate fully with the Department in the defense or other disposition thereof.

(l) The Development Owner agrees to furnish the Department within 10 days of receipt with copies of all correspondence between the Development Owner and the Service with respect to the Development, other than tax returns and routine, periodic reports filed with the Service.

(m) The Development Owner agrees to notify the Department and modify the credit allocation identified on the IRS form 8609, if necessary, if any federal grant or loan of below market rate federal funds is received with respect to the Development at any time during the Compliance period.

SECTION 7 – FEES

(a) To compensate the Department for its responsibilities pursuant to the Act and the Code, the Development Owner shall pay to the Department an annual compliance monitoring fee for the first twelve month period of this Declaration in the amount of \$40 per Low-Income Unit in the Development. In no event shall the fee be less than \$100.

(b) In addition to the compliance monitoring fee required by Section 7(a), the Development Owner shall pay to the Department a building inspection fee for any inspections that the Department requires or performs. The amount of such fee(s) will be determined by the Department in accordance with Department Rules.

(c) If the Department shall find the Development not to be in compliance with the terms hereof, the Development Owner shall pay to the Department (i) an additional administrative fee in an amount prescribed from time to time by the Department, which amount for the first twelve month period of this Declaration, shall not exceed \$25 per Unit (without regard to the number of Low-Income Units), for additional monitoring and enforcement activities undertaken with respect to the Development and (ii) all amounts required to reimburse the Department for its expenses in performing such additional monitoring and enforcement activities. The administrative fee payable in the event of noncompliance shall be in addition to, and distinct from, the amount due pursuant to Section 7(a), as well as any reimbursements of costs and legal fees to which the Department may be entitled as a result of judicial enforcement action, and such fee shall be payable without respect to whether the Department undertakes or succeeds in judicial enforcement activities, and any right to be compensated therefore, for a period of up to three years following its most recent finding of noncompliance with respect to the Development.

(d) For each successive twelve month period following the initial twelve month period of this Declaration, the administrative fees payable to the Department hereunder shall be the amounts established for the most recent administrative fee, multiplied by the increase in the Consumer Price Index for All Urban Consumers (CPI-U) published by the Bureau of Labor Statistics of the United States Department of Labor (or generally recognized successor to such Index) for the same twelve month period of time.

(e) The Development Owner agrees that it will pay the annual compliance monitoring fee and the building inspection fee(s) at the times required by the Department therefore and that it will pay all additional charges, fees, and expenses assessed hereunder by the Department within ten (10) days of receipt of written notice of any such assessment.

SECTION 8 - MISCELLANEOUS

(a) Severability. This Declaration is intended to be performed in accordance with, and only to the extent permitted by, all applicable laws, ordinances, rules and regulations. If any provision of this Declaration or the application thereof to any person or circumstance shall be held invalid or unenforceable, the remainder of this Declaration and the application of such provision to other persons or circumstances shall not be affected thereby, but rather shall be enforced to the greatest extent permitted by law.

(b) Notices. All notices to be given pursuant to this Declaration shall be in writing and shall be deemed given when mailed by certified or registered mail, return receipt requested, delivered by hand, or delivered by any other method permitted by law, to the parties hereto at the addresses set forth below, or to such other place as a party may from time to time designate in writing.

TO THE DEPARTMENT:

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
P O Box 13941
AUSTIN, TEXAS 78711-3941
ATTN: COMPLIANCE DIVISION

TO THE DEVELOPMENT OWNER:

WYNNEWOOD SENIORS HOUSING, LP
511 N. AKARD ST., SUITE 301
DALLAS, TEXAS 75201
ATTN: JOHN P. GREENAN

The Department, and the Development Owner, may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

(c) Amendment. This Agreement may not be amended or modified except by written instrument executed by both Development Owner and Department, or their respective heirs, successors or assigns, which instrument shall not be effective until it is recorded in the real property records in the county where the Property is located. Upon request by the Department, the Development Owner agrees that it will take all actions necessary to effect any amendment of this Declaration which may be necessary in the Department's sole discretion to comply with the Code, and any and all applicable rules, regulations, policies, procedures, rulings or other official statements pertaining to the Tax Credits.

(d) Governing Law. This Declaration shall be governed by the laws of the State of Texas, and, where applicable, the laws of the United States of America.

(e) Survival of Obligations. The obligations of the Development Owner as set forth herein and in the Application shall survive the allocation of the Tax Credit and shall not be deemed to terminate or merge with the awarding of the allocation.

(f) Interpretation. The Department's interpretation of this Declaration shall be controlling for purposes of determining whether (i) the Compliance Period and/or Credit Period shall have commenced, (ii) this Declaration shall have been terminated in accordance with Section 5 hereof, and (iii) the Additional Use Restrictions elected at Appendix A hereto, if any, shall have been complied with.

IN WITNESS WHEREOF, THE DEVELOPMENT OWNER AND THE DEPARTMENT HAVE CAUSED THIS DECLARATION TO BE SIGNED BY THEIR DULY AUTHORIZED REPRESENTATIVES, AS OF THE DAY AND YEAR FIRST WRITTEN ABOVE.

DEVELOPMENT OWNER:

WYNNEWOOD SENIORS HOUSING, LP
A TEXAS LIMITED PARTNERSHIP

BY: WYNNEWOOD SENIORS HOUSING GP, LLC
A TEXAS LIMITED LIABILITY COMPANY, ITS GENERAL PARTNER

BY: CENTRAL DALLAS COMMUNITY DEVELOPMENT CORPORATION
A NONPROFIT CORPORATION, ITS SOLE MEMBER

BY: [Signature]
NAME: John P. Greenan
TITLE: Executive Director

THE STATE OF TEXAS §
 §
COUNTY OF DALLAS §

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY AND STATE, ON THIS DAY PERSONALLY APPEARED John P. Greenan, KNOWN TO ME TO BE THE Executive Director OF CENTRAL DALLAS COMMUNITY DEVELOPMENT CORPORATION, A NONPROFIT CORPORATION, ITS SOLE MEMBER OF WYNNEWOOD SENIORS HOUSING GP, LLC, A TEXAS LIMITED LIABILITY COMPANY, GENERAL PARTNER OF WYNNEWOOD SENIORS HOUSING, LP, A TEXAS LIMITED PARTNERSHIP, THE LIMITED PARTNERSHIP THAT EXECUTED THE FOREGOING INSTRUMENT, KNOWN TO ME TO BE THE PERSON WHOSE NAME IS SUBSCRIBED TO THE FOREGOING INSTRUMENT, AND ACKNOWLEDGED TO ME THAT THE SAME WAS THE ACT OF SAID LIMITED PARTNERSHIP, AND THAT HE/SHE EXECUTED THE SAME AS THE ACT OF SUCH LIMITED PARTNERSHIP FOR THE PURPOSES AND CONSIDERATION THEREIN EXPRESSED AND IN THE CAPACITY THEREIN STATED.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 7th DAY OF September, 2012.

(SEAL)

[Signature]
NOTARY PUBLIC SIGNATURE



NOTARY PUBLIC, STATE OF: Texas
COUNTY OF: Dallas
MY COMMISSION EXPIRES: 8-18-14

DEPARTMENT:

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS,
A PUBLIC AND OFFICIAL AGENCY OF THE STATE OF TEXAS

BY: *[Signature]*
NAME: **TOM GOURIS**
TITLE: **DEPUTY EXECUTIVE DIRECTOR**

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS, ON THIS DAY PERSONALLY APPEARED,
Tom Gouris OF THE **TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**, A PUBLIC
AND OFFICIAL AGENCY OF THE STATE OF TEXAS, ON BEHALF OF SUCH AGENCY.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS 10th DAY OF Sept., 2012

(SEAL)

Leah Sargent Rosas
NOTARY PUBLIC SIGNATURE



NOTARY PUBLIC, STATE OF: _____
COUNTY OF: _____
MY COMMISSION EXPIRES: _____

ADDENDUM A TO DECLARATION – CONSENT AND SUBORDINATION OF LEINHOLDER

[TO BE EXECUTED BY EACH LIEN HOLDER ON THE DEVELOPMENT AS OF THE EFFECTIVE DATE OF THE DECLARATION.]

THE UNDERSIGNED LIEN HOLDER ("LIEN HOLDER") HEREBY CONSENTS TO THE EXECUTION BY DEVELOPMENT OWNER OF THE FOREGOING DECLARATION FOR WYNNEWOOD SENIORS HOUSING (THE "DEVELOPMENT IMPROVEMENTS").

LIEN HOLDER HEREBY SUBORDINATES ITS LIEN(S) TO THE RIGHTS AND INTERESTS CREATED PURSUANT TO SECTION 5(c) OF THE DECLARATION SUCH THAT A FORECLOSURE OF ITS LIEN(S) SHALL NOT EXTINGUISH SUCH RIGHTS AND INTERESTS.

LIEN HOLDER ACKNOWLEDGES AND AGREES THAT, PURSUANT TO SECTION 5(b)(1) OF THE DECLARATION, THE DECLARATION WILL TERMINATE ON THE DATE THE DEVELOPMENT IS ACQUIRED BY FORECLOSURE OR DEED IN LIEU OF FORECLOSURE, UPON THE RECORDED DECLARATION OF THE PARTY SO ACQUIRING THE BUILDING (UNLESS IT IS DETERMINED THAT SUCH ACQUISITION IS PART OF AN ARRANGEMENT WITH BORROWER A PURPOSE OF WHICH IS TO TERMINATE SUCH PERIOD); PROVIDED, HOWEVER, LIEN HOLDER HEREBY ACKNOWLEDGES AND AGREES THAT THE ACQUISITION OF THE DEVELOPMENT BY ANY PARTY BY FORECLOSURE OR INSTRUMENT IN LIEU OF FORECLOSURE SHALL BE SUBJECT TO THE PROVISIONS OF SECTION 5(c) OF THE DECLARATION, WHICH PROVISIONS SHALL CONTINUE IN FULL FORCE AND EFFECT FOR A PERIOD OF THREE (3) YEARS FROM THE DATE OF SUCH ACQUISITION; PROVIDED, FURTHER, THAT SUCH PROVISIONS SHALL NOT APPLY DURING SUCH PERIOD IF AND TO THE EXTENT THAT COMPLIANCE THEREWITH IS NOT POSSIBLE AS A CONSEQUENCE OF DAMAGE, DESTRUCTION, CONDEMNATION OR SIMILAR EVENT WITH RESPECT TO THE DEVELOPMENT.

EXECUTED TO BE EFFECTIVE THE 14th DAY OF September 2012

LEINHOLDER: BANK OF AMERICA, N.A.

BY: [Signature]
NAME: Jeffrey S. Rodman
TITLE: Senior Vice President

THE STATE OF Texas §
§
COUNTY OF Dallas §

I, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR SAID COUNTY, IN SAID STATE, HEREBY CERTIFY THAT Jeffrey S. Rodman, Senior Vice President, WHOSE NAME IS SIGNED TO THE FOREGOING INSTRUMENT, AND WHO IS KNOWN TO ME, ACKNOWLEDGED BEFORE ME ON THIS DAY, BEING INFORMED OF THE CONTENTS OF SUCH DOCUMENT, EXECUTED THE SAME VOLUNTARILY. GIVEN UNDER MY HAND, OFFICIAL SEAL THIS 10 DAY OF September 2012

[Signature: Brenda K. Jones]
NOTARY PUBLIC SIGNATURE

NOTARY PUBLIC, STATE OF: Texas
COUNTY OF: Dallas
MY COMMISSION EXPIRES: 11-21-14

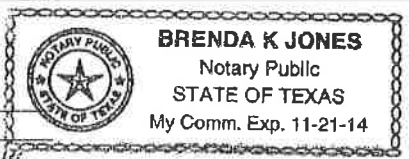


EXHIBIT A TO DECLARATION – LEGAL DESCRIPTION

8.4528 ACRES

Description of an 8.4528 acre tract of land situated in the John W. Wright Survey, Abstract No. 1622, City of Dallas, Dallas County, Texas and being a portion of Wynnewood Gardens No. 4, Eighth Section of Wynnewood, an addition to the City of Dallas, Texas according to the plat thereof recorded in Volume 12, Pages 78-A, B and C, Map Records, Dallas County, Texas; said 8.4528 acre tract also being a portion of Tract 1 conveyed to WCH Limited Partnership in Special Warranty Deed recorded in Volume 93237, Page 5104, Deed Records, Dallas County, Texas; said 11.6297 acre tract being more particularly described by metes and bounds as follows:

COMMENCING, at a 1/2-inch iron rod found at the intersection of the north right-of-way line of Wynnewood Drive (70 feet wide) and the easterly right-of-way line of Llewellyn Avenue (80 feet wide); said point also being the southwest corner of said Eighth Section of Wynnewood;

THENCE, North 17 degrees 43 minutes 07 seconds West, with said easterly right-of-way line of Llewellyn Avenue, a distance of 182.08 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the right having a radius of 700.94 feet;

THENCE, northwesterly, with said curve to the right and transitioning from the easterly right-of-way line of Llewellyn Avenue to the east right-of-way line of Pratt Street (50 feet wide), through a central angle of 25 degrees 22 minutes 16 seconds, an arc distance of 310.38 feet (chord bears North 05 degrees 02 minutes 02 seconds West, 307.85 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the end of said curve;

THENCE, with the said east right-of-way line of Pratt Street, the following metes and bounds;

North 07 degrees 39 minutes 06 seconds East, a distance of 15.10 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the right having a radius of 1,884.86 feet;

Northeasterly, with said curve to the right, through a central angle of 06 degrees 54 minutes 47 seconds, an arc distance of 227.42 feet (chord bears North 11 degrees 06 minutes 29 seconds East, 227.28 feet) to a "+" cut in concrete set at the end of said curve;

North 14 degrees 33 minutes 56 seconds East, a distance of 3.30 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the right having a radius of 3,249.04 feet;

Northeasterly, with said curve to the right, through a central angle of 11 degrees 45 minutes 24 seconds, an arc distance of 666.68 feet (chord bears North 20 degrees 26 minutes 35 seconds East, 665.51 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set (1/2-inch iron rod found South 68 degrees 34 minutes 11 seconds East, 1.14 feet) at the end of said curve;

North 26 degrees 19 minutes 20 seconds East, a distance of 27.24 feet to the **POINT OF BEGINNING** of said 8.4528 acre tract;

EXHIBIT A TO DECLARATION – LEGAL DESCRIPTION – PAGE 2

THENCE, with the said east right-of-way line of Pratt Street, the following metes and bounds;

North 26 degrees 19 minutes 20 seconds East, a distance of 251.28 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set (1/2-inch iron rod found South 76 degrees 21 minutes 51 seconds East, 1.00 feet) at the beginning of a curve to the right having a radius of 1,884.86 feet;

Northeasterly, with said curve to the right, through a central angle of 18 degrees 50 minutes 00 seconds, an arc distance of 619.56 feet (chord bears North 35 degrees 44 minutes 17 seconds East, 616.77 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the end of said curve;

North 45 degrees 09 minutes 20 seconds East, a distance of 359.96 feet to a 1/2-inch iron rod found at the beginning of a curve to the right having a radius of 452.82 feet;

Northeasterly, with said curve to the right, through a central angle of 15 degrees 58 minutes 52 seconds, an arc distance of 126.30 feet (chord bears North 53 degrees 08 minutes 43 seconds East, 125.89 feet) to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the end of said curve; said point also being the beginning of a curve to the right having a radius of 125.00 feet;

Southeasterly, with said curve to the right, through a central angle of 60 degrees 37 minutes 48 seconds, an arc distance of 132.27 feet (chord bears South 88 degrees 32 minutes 57 seconds East, 126.19 feet) to a 1/2-inch iron rod found at the end of said curve; said point also being the beginning of a curve to the right having a radius of 32.99 feet;

Southeasterly, with said curve to the right, through a central angle of 90 degrees 00 minutes 00 seconds, an arc distance of 51.82 feet (chord bears South 13 degrees 14 minutes 03 seconds East, 46.65 feet) to a 1/2-inch iron rod found at the end of said curve; said point also being on the west right-of-way line of Zang Boulevard (125 feet wide);

THENCE, with the said west right-of-way line of Zang Boulevard, the following metes and bounds;

South 31 degrees 46 minutes 00 seconds West, 752.12 feet to a 5/8-inch iron rod with yellow plastic cap stamped "GSES, INC., RPLS 4804" set at the beginning of a curve to the left having a radius of 3,882.22;

Southwesterly, with said curve to the left, through a central angle of 08 degrees 11 minutes 03 seconds, an arc distance of 554.54 feet (chord bears South 27 degrees 40 minutes 29 seconds West, 554.06 feet) to a point for corner;

THENCE, North 63 degrees 40 minutes 40 seconds West, a distance of 333.68 feet to the POINT OF BEGINNING;

CONTAINING, 368,206 square feet or 8.4528 acres of land, more or less.

EXHIBIT B – PERMITTED ENCUMBRANCES AND EXCEPTIONS

1. Restrictive covenants described in Partial Release and Agreement to Restrict dated _____, 2012, filed _____/2012, cc# _____, Real Property Records, Dallas County, Texas.
2. Deed of Trust Construction Loan from Wynnewood Seniors Housing, LP, a Texas limited partnership, to PRLAP, Inc., a Texas corporation, Trustee, dated 07/24/2012, filed 07/24/2012, cc#201200213771, Real Property Records, Dallas County, Texas, securing the payment of one note in the principal sum of \$16,000,000, payable to Banc of America Community Development Corporation as securing other indebtedness therein, if any; said note having been assigned to Bank of America, N.A. by instrument filed _____/2012, cc#2012_____, Real Property Records, Dallas County, Texas, and as affected by Amended and Restated Deed of Trust, Assignment, Security Agreement and Fixture Filing, by Wynnewood Seniors Housing, LP, a Texas limited partnership, to and in favor of PRLAP, Inc., a Texas corporation, as Trustee and Bank of America, N.A., a national banking association, as beneficiary, dated _____/2012, filed _____/2012, cc#2012_____, Real Property Records, Dallas County, Texas, securing the payment of one note in the principal sum of \$14,750,000, payable to Bank of America, N.A.
3. Right of Entry Agreement with Warner Amex Cable Communications, Inc., filed 09/19/1981, recorded in Volume 81183, Page 378, Real Property Records of Dallas County, Texas; and as noted on survey of Robert W. Schneeberg, RPLS No. 4804, dated 04/23/2012.
4. Easement granted by Wynnewood Gardens No. 4, a corporation, to Dallas Power & Light Company and Southwestern Bell Telephone Company, filed 02/24/1948, recorded in Volume 2944, Page 443, Real Property Records of Dallas County, Texas, and as noted on survey of Robert W. Schneeberg, RPLS No. 4804, dated 04/23/2012.
5. Terms, Provisions and conditions contained in License Agreement as evidenced by Ordinance No. 21295 filed 11/24/1992, recorded in Volume 99182, Page 389, Real Property Records of Dallas County, Texas, and as noted on survey of Robert W. Schneeberg, RPLS No. 4804, dated 04/23/2012.
6. Terms, provisions, conditions and easements contained in Easement and Memorandum of Agreement filed 03/10/2011, cc#201100062918, Real Property Records, Dallas County, Texas, and as noted on survey of Robert W. Schneeberg, RPLS No. 4804, dated 04/23/2012.
7. Terms, provisions, conditions and easements contained in Temporary Access Easement and License to Demolish, dated 07/03/2012, filed 07/24/2012, cc#201200213772, Real Property Records, Dallas County, Texas.
8. Power poles, overhead electric lines, and sanitary sewer manholes as shown on survey of Robert W. Schneeberg, RPLS No. 4804, dated 04/23/2012.
9. Declaration of Land Use Covenants To Provide Social Services between Wynnewood Senior Housing, LP and the City of Dallas, dated _____, 2012, filed _____/2012, cc# _____, Real Property Records, Dallas County, Texas.

**APPENDIX A – ADDITIONAL USE RESTRICTIONS
2010 ALLOCATION WITH 2011 FORWARD COMMITMENT**

RENT AND OCCUPANCY RESTRICTIONS

INCOME LIMIT	RENT LIMIT	NUMBER OF UNITS
30% OF AMI	30% OF AMI	21
50% OF AMI	50% OF AMI	49
60% OF AMI	60% OF AMI	70

If at recertification the Tenant's household income exceeds the applicable limit, to maintain compliance, the owner agrees to follow recertification guidance in accordance with the Department Rules as amended from time to time.

LONGER COMPLIANCE PERIOD AND EXTENDED USE PERIOD

In accordance with the Code, each Development is required to maintain its affordability for a 15-year compliance period and, subject to certain exceptions, an additional 15-year period. Development Owner indicates below that the Development will extend the affordability period beyond the 30 years required in the Code as follows:

- Add 10 years affordability after the extended use period for a total affordability period of 40 years

AFFIRMATIVE MARKETING FOR VETERANS

The Development Owner agrees to affirmatively market to veterans through direct marketing or contracts with veteran's organizations. The Owner will be required to identify how they will affirmatively market to veterans and report to the Department in the annual housing report the results of the marketing efforts to veterans.

QUALIFIED ELDERLY DEVELOPMENTS (2000 AND LATER)

Throughout the Compliance Period, unless otherwise permitted by the Department, this Development must conform to the Federal Fair Housing Act and must be a Development which:

- The HUD Secretary has determined that it is specifically designed for and occupied by elderly persons under a Federal, State or local government program or
- It is occupied solely by persons who are 62 or older or
- It houses at least one person who is 55 or older in at least 80 percent of the occupied units, and adheres to a policy that demonstrates intent to house persons who are 55 or older.

PROVISION OF SUPPORTIVE SERVICES

The Development Owner has been awarded points based on providing tenants the following supportive services through the extended use period. Fees in addition to rent may not be charged for any of the services marked below throughout the extended use period. Services must be provided on-site or transportation to off-site services must be provided.

- Counseling services
- Credit counseling
- Financial planning assistance or courses
- Health screening services
- Health and nutritional courses
- Weekly structured chair exercise classes
- Weekly arts and crafts classes

NOTARY PUBLIC SERVICES TO TENANTS OF THE DEVELOPMENT

The Development will provide Notary Public Services to tenants at no cost to the tenant during regular business hours.

APPENDIX A – ADDITIONAL USE RESTRICTIONS

MATERIAL PARTICIPATION BY QUALIFIED NONPROFIT ORGANIZATION

Throughout the Compliance Period, a Qualified Nonprofit Organization (as defined in Section 42(h)(5)(C) of the Code) shall hold a controlling interest in the Development as required by the Department Rules, shall materially participate (within the meaning of Section 469(h) of the Code) in the development and operation of the Development and shall otherwise meet the requirements of Section 42(h)(5) of the Code. At the time this Declaration is filed, the Qualified Nonprofit Organization which shall own such interest and shall so materially participate in the development and operation of the Development is CENTRAL DALLAS COMMUNITY DEVELOPMENT CORPORATION. The Development Owner shall notify the Department (i) of any change in the status or role of such organization with respect to the Development and (ii) if such organization is proposed to be replaced by a different Qualified Nonprofit Organization.

APPENDIX B – ADDITIONAL USE RESTRICTIONS – ACCESSIBILITY REQUIREMENTS

ACCESSIBILITY FOR 2002 AND LATER ALLOCATIONS

The Development will comply with the accessibility standards that are required under Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C.

ACCESSIBILITY REQUIREMENTS FOR NEW CONSTRUCTION, REHABILITATION OF PROPERTIES BUILT AFTER 7/11/88 & SUBSTANTIAL ALTERATIONS:

A minimum of 5% of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for persons with mobility impairments. A Unit that is on an accessible route and is adaptable and otherwise compliant with sections 3–8 of the Uniform Federal Accessibility Standards (UFAS), meets this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for persons with hearing or vision impairments. At the time this declaration is filed, the following units are fully UFAS accessible:

- Mobility Accessible: **2106,2112, 2113, 3112, 4109, 4110, 5102**
- Hearing or Visual Impairment Accessible: **3110, 4105, 6102**

The owner understands and agrees that if the above reflected Unit(s) listing does not equal 5% of the total dwelling units, that any and all alterations made to any element within any Unit during the above specified Affordability Period must be in compliance with UFAS until 5% of the total dwelling units are in compliance with UFAS.

APPENDIX C – ADDITIONAL USE RESTRICTIONS – AMENITY REQUIREMENTS

All of the following amenities must be compliant with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (§42 U.S.C. §3601 et seq.), and the Fair Housing Amendments Act of 1988 (§42 U.S.C. §3601 et seq.); the Civil Rights Act of 1964 (§42 U.S.C. §2000a et seq.); the Americans with Disabilities Act of 1990 (§42 U.S.C. §12101 et seq.); the Rehabilitation Act of 1973 (29 U.S.C. §701 et seq.); Fair Housing Accessibility; the Texas Fair Housing Act; and that the Development is designed consistent with the Fair Housing Act Design Manual produced by HUD, the Code Requirements for Housing Accessibility 2000 (or as amended from time to time) produced by the International Code Council and the Texas Accessibility Standards (§2306.257; §2306.6705(7)). In addition, Pursuant to §2306.6722, any Development supported with a Housing Tax Credit allocation shall comply with the accessibility standards that are required under §504, Rehabilitation Act of 1973 (29 U.S.C. §794), and specified under 24 C.F.R. Part 8, Subpart C. The Development will comply with the accessibility standards that are required under §504, Rehabilitation Act of 1973 (29 U.S.C. §794), and specified under 24 C.F.R. Part 8, Subpart C. (§2306.6722 and §2306.6730). At the time this declaration is filed, the owner has provided a certification from the Development engineer, an accredited architect or Department-approved third party accessibility specialist that the above stipulations have been sufficiently met as required in the 2010 Qualified Allocation Plan (QAP) and Rules.

THRESHOLD CRITERIA:

The owner has represented that the following amenities will be present at the property through the extended use period. Fees in addition to rent may not be charged for any of the amenities marked below throughout the extended use period. The amenities selected must be made available for the benefit of all tenants. Any future changes in these amenities, or substitution of these amenities, must be approved by the Department. The following section reflects the amenities elected at the time of application to meet the minimum threshold of points required.

- Units must be wired with RG-6 COAX or better & CAT3 phone cable or better, wired to each bedroom, dining room & living room
- Blinds or window coverings for all windows
- Disposal and Energy-Star or equivalently rated dishwasher
- Oven/Range
- Exhaust/vent fans in bathrooms
- Energy-Star or equivalently rated fans in living areas and bedrooms
- Energy-Star or equivalently rated refrigerator
- Energy-Star or equivalently rated lighting fixtures in all Units
- Full perimeter fencing
- Controlled gate access
- Gazebo w/sitting area
- Accessible walking/jogging path separate from a sidewalk
- Barbecue grill and picnic table – at least one of each for every 50 Units
- Equipped and functioning business center or equipped computer learning center with 1 computer for every 30 Units proposed in the Application, 1 printer for every 3 computers (with minimum of one printer), and 1 fax machine
- Senior Activity Room
- Health Screening Room
- Horseshoe pit, putting green or shuffleboard court

APPENDIX C – ADDITIONAL USE RESTRICTIONS – AMENITY REQUIREMENTS

SELECTION CRITERIA:

The owner has represented that the following amenities will be present at the property through the extended use period. Fees in addition to rent may not be charged for any of the amenities marked below throughout the extended use period. The owner was awarded points based on providing specific amenity and quality features in every Unit at no extra charge to the tenant. The following section identifies the amenities elected at the time of application for which points were awarded.

UNIT AMENITIES

- Covered entries
- Nine foot ceilings in living room and all bedrooms (at minimum)
- Microwave ovens
- Self-cleaning or continuous cleaning ovens
- Ceiling fixtures in all rooms (light with ceiling fan in living area and all bedrooms)
- Refrigerator with icemaker
- Laundry connections
- Thirty year architectural shingle roofing
- R-15 Walls / R-30 Ceilings (rating of wall system)
- Fire sprinklers in all Units

GREEN BUILDING INITIATIVES

- Water conserving features
 - Install high efficiency toilets using less than or equal to 1.28 gallons per flush, or Water Sense certified; and/or
 - Install bathroom lavatory faucets and showerheads that do not exceed 2.0 gallons per minute and kitchen faucets that do not exceed 1.5 gallons per minute. This applies to all fixtures throughout the development. Rehabilitation projects may choose to install compliant faucet aerators instead of replacing entire faucets
- Sub metered utility meters
 - Sub-metered utility meters on rehab project without existing sub-meters or new construction senior project
- Implementation of EPA's Best Management Practices for erosion and sedimentation control during construction
- Water permeable walkways (at least 20% of walkways and parking)

APPENDIX D – ADDITIONAL USE RESTRICTIONS – RIGHT OF FIRST REFUSAL

AGREEMENT TO THE PROVISION OF RIGHT OF FIRST REFUSAL

The Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization (as defined in §42 (h) (5) (C) of the Code), the Department, or either an individual tenant with respect to a single family building, or a tenant cooperative, a resident management corporation in the Development or other association of tenants in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization").

The following terms are hereby incorporated into this Declaration:

(i) Upon the earlier to occur of:

(I) the Development Owner's determination to sell the Development, or (II) the Development Owner's request to the Department, pursuant to §42 (h)(6)(E)(i)(II) of the Code, to find a buyer who will purchase the Development pursuant to a "qualified contract" within the meaning of §42 (h)(6)(F) of the Code, the Development Owner shall provide a notice of intent to sell the Development ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Development Owner determines that it will sell the Development at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period. If the Development Owner determines that it will sell the Development at some point later than the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to the date upon which the Development Owner intends to sell the Development.

(ii) During the two years following the giving of Notice of Intent, the Development Owner may enter into an agreement to sell the Development only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(I) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department;

(II) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(III) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(IV) If, during such two year period, the Development Owner shall receive an offer to purchase the Development at the Minimum Purchase Price from one of the organizations designated in subparagraphs (I) – (III) of this paragraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to such organization. If, during such period, the Development Owner shall receive more than one offer to purchase the Development at the Minimum Purchase Price from one or more of the organizations designated in subparagraphs (I) – (III) of this paragraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to whichever of such organization it shall choose.

(iii) At any time after the fifteenth year of the Compliance Period, but no earlier than two years after delivery of a Notice of Intent, the Development Owner may sell the Development without regard to any right of first refusal established by this Declaration if: (x) no offer to purchase the Development at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or (y) a period of 120 days has expired from the date of acceptance of such offer without the sale having occurred, provided that the failure to close within such 120-day period shall not have been caused by the Development Owner or matters related to the title for the Development.

(iv) At any time prior to the giving of the Notice of Intent, the Development Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Development for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Development by such organization in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

(v) The Department shall, at the request of the Development Owner, identify in this Declaration a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Development at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in paragraph (ii) of this section.

(vi) The Department shall have the right to enforce the Development Owner's obligation to sell the Development as herein contemplated by obtaining a power-of-attorney from the Development Owner to execute such a sale or by obtaining an order for specific performance of such obligation or by such other means or remedy as shall be, in the Department's discretion, appropriate.

APPENDIX E -- MINIMUM APPLICABLE FRACTION BY BUILDING

BUILDING NUMBER	BUILDING IDENTIFICATION NUMBER (BIN)	MINIMUM APPLICABLE FRACTION
1.	TX-1100301	100%

**Filed and Recorded
Official Public Records
John F. Warren, County Clerk
Dallas County, TEXAS
09/17/2012 11:33:28 AM
\$100.00
201200274918**



10

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action to Approve a Housing Tax Credit Amendment for Pine Lake Estates in Nacogdoches (#13232)

RECOMMENDED ACTION

WHEREAS, Pine Lake Estates received an award of 9% Housing Tax Credits in 2013 for the rehabilitation of 100 multifamily units in Nacogdoches;

WHEREAS, the Development received a \$1,000,000 award of TDHCA HOME funds in the form of a second lien loan at 0% interest with a 30-year amortization and 18-year term;

WHEREAS, the Development Owner requests approval to modify the Housing Tax Credit unit set asides approved at Application from 100% at 30% AMI to 50% of the units at 30% AMI and 50% of the units at 60% AMI;

WHEREAS, Board approval is required for the reduction in the number of Low-Income Units at any rent or income level previously approved by the Board and the Owner has complied with the amendment requirements in Texas Government Code §2306.6712 and 10 TAC §10.405(a);

WHEREAS, the development was originally underwritten assuming rents provided through a Housing Assistance Payment (“HAP”) contract on 100% of the units;

WHEREAS, the changes in the unit set asides would not affect the points elected under §11.9(c)(2) of the 2013 QAP and the amendment does not impact the amount of tax credits awarded; and,

WHEREAS, the lender and syndicator have submitted letters of support for this amendment and believe the current level of restrictions at 30% AMI could hinder the property’s operation and financial feasibility in the future, should the HAP contract expire or not be renewed as anticipated and therefore, they would consider the development to be infeasible without this amendment and not proceed with financing;

NOW, therefore, it is hereby

RESOLVED, that the application amendment for Pine Lake Estates is approved as presented to this meeting and the Executive Director and his designees are hereby, authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Pine Lake Estates was approved during the 2013 competitive (9%) awards cycle for the rehabilitation of 100 multifamily units in Nacogdoches, Texas. On January 20, 2014, the Development Owner requested approval to amend the income set asides originally approved at Application from 100% of the units at 30% AMI to 50% of the units at 30% AMI and 50% of the units at 60% AMI. The Owner indicated that the original election was made incorrectly and was based on the fact that all of the units receive rental assistance under a Section 8 HAP contract in which tenants are only responsible to pay 30% of their income towards rent.

The Owner incorrectly assumed that all households under the HAP contract had an income level at or below 30%AMI. This error was discovered after approval of the award as a result of the Applicant's ongoing due diligence in completing a thorough review of the income levels of existing residents. The review revealed that approximately 38 of the current residents' incomes were over the 30% AMI and the Applicant became concerned that these households could potentially be displaced if the income set asides for all units remained at 30% AMI. The Owner submitted a copy of their current rent roll to support the findings of their review at which point staff double checked initial tax credit eligibility and confirmed that there were no residents who currently exceed the 60% AMI rent limit. While federally eligible for the tax credit, the owner would initially and automatically be out of compliance with the 100% at 30% LURA requirements if the existing over-income residents remain at the property. The existing HAP contract on the property prohibits displacement of current HAP eligible residents.

The Owner is also concerned that leaving 100% units rents restricted at 30% AMI will severely restrict their potential resident pool. The owner submitted a supplemental Market Study that indicated that their potential resident pool with rents set at 30% AMI is 1,381 households. Alternatively, if the amendment is granted to allow 60% AMI households to be eligible to live at the property, the development's potential resident pool increases to 3,065 households. In addition it is unclear if the HAP contract itself would allow the development owner to exclude otherwise HAP eligible households from accessing HAP assistance due to the deeper income targeting levels included as part of the TDHCA funding.

While the current proposed lender and syndicator have changed since Application, both the original and current set underwrote the transaction at the full HAP income and rent levels. In addition the current proposed lender and syndicator have expressed concern that without amending the TDHCA rent restrictions, the development will be infeasible due to the risk of non-renewal at the expiration of the HAP contract. If the rent revenue at HAP expiration is reduced to the actual 30% AMI derived rents there will not be sufficient income to cover operating expenses or meet debt service under the current unit set asides. Consequently, the development will be at

risk of default on their permanent loan as well as the previously approved HOME loan, which will both still have 10 years of amortization remaining. Because of these concerns, both the lender and syndicator have indicated that they will not be able to provide financing if this amendment is not approved.

Staff has confirmed that the Development has received a temporary extension to the existing HAP contract until November 1, 2014. The Owner has indicated that upon closing, which is anticipated to take place in April 2014, they will finalize a 20-year HAP contract, which is the current maximum length of a HAP contract renewal.

Staff recommends that this amendment request be approved.



January 20, 2014

Via Email: kent.bedell@tdhca.state.tx.us

Mr. Kent Bedell
Associate Asset Manager
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: Amendment Request to Application 13232 Pine Lake Estates

Dear Mr. Bedell,

Pine Lake Estates is an existing senior development in Nacogdoches, originally built in 1979. In July and November of 2013, Realtex Development Corporation received an award of Tax Credits and HOME funds for Pine Lake Estates under the At Risk set aside. We have received a temporary extension to the existing Housing Assistance Payment Contract "HAP" from HUD, and a long-term HAP contract will be finalized by HUD upon the upcoming closing of the financing.

The original TDHCA 9% application was submitted with all 100 units at 30% of AMI, 12 of which have an additional designation of Low HOME 50% as shown in Exhibit A. This was inadvertently done based on the project HAP rents all falling within the 30% criteria. However, after a thorough review of the Income Levels of the existing residents, it was discovered that the designation of all units at an income restriction of 30% results in permanent displacement of nearly half of the existing residents, rendering them ineligible to return to the property (see Exhibit B). This was never the intent of the application. Many of these residents have called Pine Lake Estates home for over 10 years now.

Per Section 10.405 (a)(7)(A) of the 2013 QAP, Realtex wishes to submit a request for an amendment to the Income Set Asides elected originally in the application as shown in Exhibit C. Instead of all units at the 30% income restriction, we are requesting an amendment to include half of all units at the 30% income set aside, and the remaining half at the 60% income set aside.

Furthermore, the lender and syndicator have stated they believe the development to be infeasible without this change. Letters from Mahesh Aiyer, Executive Vice President of Community Bank of Texas and David Payne, Relationship Manager with Regions Bank are included in Exhibit D of this request.

Granting this amendment does not negatively affect other applicants, as this application was submitted under the At Risk Set Aside. All At Risk applications in the 2013 9% cycle were awarded tax credits. The change of Income Set Asides would not affect the points elected in the original application. Additionally, because the rents are set by the existing HAP contract, this amendment would not affect the underwriting of the application.

Thank you for consideration of this request. Should you have any questions or need additional information, please do not hesitate to contact me at the phone number listed below.

Respectfully,



Rick J. Deyoe

President

rdeyoe@realtexdevelopment.com

Exhibit A

Original Rent Schedule
from Application

Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%	100%	100%	100
	TC40%			0
	TC50%			0
	TC60%			0
	HTC LI Total			100
	EO			0
	MR			0
	MR Total			0
	Total Units			100
	MORTGAGE REVENUE BOND	MRB30%		
MRB40%				0
MRB50%				0
MRB60%				0
MRB LI Total				0
MRBMR				0
MRBMR Total				0
MRB Total				0

		% of LI	% of Total	
HOUSING TRUST FUND	HTF30%			0
	HTF40%			0
	HTF50%			0
	HTF60%			0
	HTF80%			0
	HTF LI Total			0
	MR			0
	MR Total			0
	HTF Total			0
	HOME	30%		
LH/50%		100%	100%	12
HH/60%				0
HH/80%				0
HOME LI Total				12
EO				0
MR				0
MR Total				0
HOME Total			12	
OTHER	Total OT Units			0

BEDROOMS	0			0
	1			100
	2			0
	3			0
	4			0
	5			0

Cost Per Square Foot Table	Development is Rehabilitation			Yes	Cost Per Sq. Ft. = \$ 51.09
(Building Costs)	Elevator served	Supportive Housing	Single Family	← If "Yes" above, these elections do not apply. See manual for instructions.	
	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =		
\$ 3,218,900	N/A	N/A	N/A		

|

Exhibit B

Appendix 10 from
Relocation Handbook
showing resident status

Unit Number	Unit Type (# bed rooms/ # baths/ Sq Ft)	Occupant First Name	Occupant Last Name	Lease Start date	Lease End Date	Rental Rate per month (\$)	Tenant Pays [\$ amount] per month	GIN Delivery Date	GIN Delivery Method (2)	Income Eligibility Determined (date)	Program Eligibility (3)	Tenant Status Non-Displaced or Displaced (4)
101	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00						N/A
102	1/1/630	Florence	Starling	11/1/2013	11/1/2014	\$ 529.00	\$ 178.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
103	1/1/630	Edna	McGowen	11/1/2013	11/1/2014	\$ 529.00	\$ 144.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
104	1/1/630	Dandice	Barr	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
105	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00						N/A
106	1/1/630	Javier	Malfitano	11/1/2013	11/1/2014	\$ 529.00	\$ 183.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
107	1/1/630	Leona	Johnson	11/1/2013	11/1/2014	\$ 529.00	\$ 158.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
108	1/1/630	Hazel	Bellard	11/1/2013	11/1/2014	\$ 529.00	\$ 64.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
109	1/1/630	Martha	Rambin	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
110	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
111	1/1/630	C	Redfern	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
112	1/1/630	Lou	Lewis	11/1/2013	11/1/2014	\$ 529.00	\$ 128.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
113	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
114	1/1/630	Frankie	Peveto	11/1/2013	11/1/2014	\$ 529.00	\$ 156.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
115	1/1/630	Maria	Sparks	11/1/2013	11/1/2014	\$ 529.00	\$ 558.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Manager
116	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
117	1/1/630	Cynthia	Capuano	11/1/2013	11/1/2014	\$ 529.00	\$ 333.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
118	1/1/630	Freda	Craft	11/1/2013	11/1/2014	\$ 529.00	\$ 614.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
119	1/1/630	LaDonna	Deckard	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced

Unit Number	Unit Type (# bed rooms/ # baths/ Sq Ft)	Occupant First Name	Occupant Last Name	Lease Start date	Lease End Date	Rental Rate per month (\$)	Tenant Pays [\$ amount] per month	GIN Delivery Date	GIN Delivery Method (2)	Income Eligibility Determined (date)	Program Eligibility (3)	Tenant Status Non-Displaced or Displaced (4)
120	1/1/630	Ramon	Lantigua	11/1/2013	11/1/2014	\$ 529.00	\$ 41.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
121	1/1/630	Clara	Stone	11/1/2013	11/1/2014	\$ 529.00	\$ 66.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
122	1/1/630	Linda	Forney	11/1/2013	11/1/2014	\$ 529.00	\$ 87.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
123	1/1/630	Bobby	Dempsey	11/1/2013	11/1/2014	\$ 529.00	\$ 132.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
124	1/1/630	Pam	Pickens	11/1/2013	11/1/2014	\$ 529.00	\$ 172.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
125	1/1/630	Wilma	Douglas	11/1/2013	11/1/2014	\$ 529.00	\$ 600.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
126	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
127	1/1/630	Teresa	Black	11/1/2013	11/1/2014	\$ 529.00	\$ 144.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
128	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
129	1/1/630	Beverly	Matthews	11/1/2013	11/1/2014	\$ 529.00	\$ 118.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
130	1/1/630	Ellen	Almodovar	11/1/2013	11/1/2014	\$ 529.00	\$ 118.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
131	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
132	1/1/630	Freddie	Gipson	11/1/2013	11/1/2014	\$ 529.00	\$ 226.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
133	1/1/630	Roberto	Garza	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
134	1/1/630	Saint	Jacobs	11/1/2013	11/1/2014	\$ 529.00	\$ 100.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
135	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
136	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
137	1/1/630	Betty	Christopher	11/1/2013	11/1/2014	\$ 529.00	\$ 205.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
138	1/1/630	Ida	James	11/1/2013	11/1/2014	\$ 529.00	\$ 103.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced

Unit Number	Unit Type (# bed rooms/ # baths/ Sq Ft)	Occupant First Name	Occupant Last Name	Lease Start date	Lease End Date	Rental Rate per month (\$)	Tenant Pays [\$ amount] per month	GIN Delivery Date	GIN Delivery Method (2)	Income Eligibility Determined (date)	Program Eligibility (3)	Tenant Status Non-Displaced or Displaced (4)
139	1/1/630	Gloria	Harper	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
140	1/1/630	Ruby	Nash	11/1/2013	11/1/2014	\$ 529.00	\$ 142.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
141	1/1/630	Norman	Langham	11/1/2013	11/1/2014	\$ 529.00	\$ 12.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
142	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
143	1/1/630	Bobby	Pleasant	11/1/2013	11/1/2014	\$ 529.00	\$ 164.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
144	1/1/630	Alice	Butler	11/1/2013	11/1/2014	\$ 529.00	\$ -	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
145	1/1/630	Howard	Scroggins	11/1/2013	11/1/2014	\$ 529.00	\$ 355.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
146	1/1/630	Mary	Cassell	11/1/2013	11/1/2014	\$ 529.00	\$ 435.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
147	1/1/630	Margaret	Kolb	11/1/2013	11/1/2014	\$ 529.00	\$ 97.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
148	1/1/630	Clarine	Akridge	11/1/2013	11/1/2014	\$ 529.00	\$ 120.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
149	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00	\$ -	2/27/2013				N/A
150	1/1/630	Travis	Skeeters	11/1/2013	11/1/2014	\$ 529.00	\$ 168.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
151	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
152	1/1/630	Era	O'Neal	11/1/2013	11/1/2014	\$ 529.00	\$ 401.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
153	1/1/630	Donna	Hamman	11/1/2013	11/1/2014	\$ 529.00	\$ 114.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
154	1/1/630	Harry	Stott	11/1/2013	11/1/2014	\$ 529.00	\$ 231.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
155	1/1/630	Caroline	Rodrigues	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
156	1/1/630	Billy	Rawlinson	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced

Unit Number	Unit Type (# bed rooms/ # baths/ Sq Ft)	Occupant First Name	Occupant Last Name	Lease Start date	Lease End Date	Rental Rate per month (\$)	Tenant Pays [\$ amount] per month	GIN Delivery Date	GIN Delivery Method (2)	Income Eligibility Determined (date)	Program Eligibility (3)	Tenant Status Non-Displaced or Displaced (4)
157	1/1/630	Robert	Stringer	11/1/2013	11/1/2014	\$ 529.00	\$ 239.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
158	1/1/630	Wallace	Bush	11/1/2013	11/1/2014	\$ 529.00	\$ 167.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
159	1/1/630	Catherine	Carter	11/1/2013	11/1/2014	\$ 529.00	\$ 167.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
160	1/1/630	Yvonne	Vance	11/1/2013	11/1/2014	\$ 529.00	\$ 128.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
161	1/1/630	June	Wall	11/1/2013	11/1/2014	\$ 529.00	\$ 297.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
162	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
163	1/1/630	John	Mullins	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
164	1/1/630	James	Heath	11/1/2013	11/1/2014	\$ 529.00	\$ 235.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
165	1/1/630	Toni	Jacobs	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Delivered	11/1/2013	Dec-13	Displaced
166	1/1/630	Betty	Byrd	11/1/2013	11/1/2014	\$ 529.00	\$ 118.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
167	1/1/630	Patsy	Douglas	11/1/2013	11/1/2014	\$ 529.00	\$ 188.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
168	1/1/630	Jane	Allen	11/1/2013	11/1/2014	\$ 529.00	\$ 222.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
169	1/1/630	Sharon	Harris	11/1/2013	11/1/2014	\$ 529.00	\$ 197.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
170	1/1/630	Linda	Acker	11/1/2013	11/1/2014	\$ 529.00	\$ 284.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
171	1/1/630	Sheree	Barclay	11/1/2013	11/1/2014	\$ 529.00	\$ 118.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
172	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
173	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
174	1/1/630	Douglas	McEntire	11/1/2013	11/1/2014	\$ 529.00	\$ 231.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
175	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A

Unit Number	Unit Type (# bed rooms/ # baths/ Sq Ft)	Occupant First Name	Occupant Last Name	Lease Start date	Lease End Date	Rental Rate per month (\$)	Tenant Pays [\$ amount] per month	GIN Delivery Date	GIN Delivery Method (2)	Income Eligibility Determined (date)	Program Eligibility (3)	Tenant Status Non-Displaced or Displaced (4)
176	1/1/630	Billie	Barnhart	11/1/2013	11/1/2014	\$ 529.00	\$ 12.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
177	1/1/630	Wilber	Gruver Jr	11/1/2013	11/1/2014	\$ 529.00	\$ 360.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
178	1/1/630	Bobbie	Stotts	11/1/2013	11/1/2014	\$ 529.00	\$ 257.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
179	1/1/630	Emmer	Grover	11/1/2013	11/1/2014	\$ 529.00	\$ 193.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
180	1/1/630	Frieda	West	11/1/2013	11/1/2014	\$ 529.00	\$ 117.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
181	1/1/630	Jimmy	Mings	11/1/2013	11/1/2014	\$ 529.00	\$ 118.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
182	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
183	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
184	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
185	1/1/630	Pamela	Cashin	11/1/2013	11/1/2014	\$ 529.00	\$ 97.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
186	1/1/630	Ann	Crain	11/1/2013	11/1/2014	\$ 529.00	\$ 176.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
187	1/1/630	Chery	Hughes	11/1/2013	11/1/2014	\$ 529.00	\$ 21.00	2/27/2013	Delivered	11/1/2013	Dec-13	Displaced
188	1/1/630	Dora	Benton	11/1/2013	11/1/2014	\$ 529.00	\$ 188.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
189	1/1/630	Michael	Bourbon	11/1/2013	11/1/2014	\$ 529.00	\$ 216.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
190	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00	\$ -	2/27/2013				N/A
191	1/1/630	Betty	Pigues	11/1/2013	11/1/2014	\$ 529.00	\$ 124.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced
192	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
193	1/1/630	Virginia	Griffith	11/1/2013	11/1/2014	\$ 529.00	\$ 325.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
194	1/1/630	Floyd	Scott	11/1/2013	11/1/2014	\$ 529.00	\$ 141.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Non-Displaced

Unit Number	Unit Type (# bed rooms/ # baths/ Sq Ft)	Occupant First Name	Occupant Last Name	Lease Start date	Lease End Date	Rental Rate per month (\$)	Tenant Pays [\$ amount] per month	GIN Delivery Date	GIN Delivery Method (2)	Income Eligibility Determined (date)	Program Eligibility (3)	Tenant Status Non-Displaced or Displaced (4)
195	1/1/630	Jerry	Smith	11/1/2013	11/1/2014	\$ 529.00	\$ 219.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
196	1/1/630	Janet	Buckaloo	11/1/2013	11/1/2014	\$ 529.00	\$ 159.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
197	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
198	1/1/630	Kenny	Hodges	11/1/2013	11/1/2014	\$ 529.00	\$ 190.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced
199	1/1/630	VACANT		11/1/2013	11/1/2014	\$ 529.00		2/27/2013				N/A
200	1/1/630	Geneva	Gulley	11/1/2013	11/1/2014	\$ 529.00	\$ 189.00	2/27/2013	Personally Delivered	11/1/2013	Dec-13	Displaced

(1) Racial/Ethnic Classification Codes: W - White, Non Hispanic; B - Black, Non Hispanic; A/I - American Indian; H - Hispanic; A/P - Asian/Pacific Islander

(2) Delivery Method Codes: P - Personally Delivered; C - Certified Mail, Return Receipt Requested

(3) Program Eligibility: H - HOME, or L - Tax Credit, or N - NSP

(4) Non Displaced or Displaced Codes: ND - Non Displaced (resident will not be displaced OR may be temporarily displaced by activity); D - Displaced (resident WILL be displaced by activity)

(5) Use Relocation Assistance Calculator

Set Aside Codes: E - Elderly (65 or older); D - Disabled

Estimated Relocation Costs will vary depending on Non-Displaced resident or Displaced resident



Texas Department of Housing and Community Affairs

Street Address: 221 East 11th Street, Austin, TX 78701 Mailing Address: PO Box 13941, Austin, TX 78711

Main Number: 512-475-3800 Toll Free: 1-800-525-0657 Email: info@tdhca.state.tx.us Web: www.tdhca.state.tx.us



Exhibit C

Requested Revision to
Rent Schedule

Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%	50%	50%	50
	TC40%			0
	TC50%			0
	TC60%	50%	50%	50
	HTC LI Total			100
	EO			0
	MR			0
	MR Total			0
	Total Units			100
	MORTGAGE REVENUE BOND	MRB30%		
MRB40%				0
MRB50%				0
MRB60%				0
MRB LI Total				0
MRBMR				0
MRBMR Total				0
MRB Total				0

		% of LI	% of Total		
HOUSING TRUST FUND	HTF30%			0	
	HTF40%			0	
	HTF50%			0	
	HTF60%			0	
	HTF80%			0	
	HTF LI Total			0	
	MR			0	
	MR Total			0	
	HTF Total			0	
	HOME	30%			0
LH/50%		100%	100%	12	
HH/60%				0	
HH/80%				0	
HOME LI Total				12	
EO				0	
MR				0	
MR Total				0	
HOME Total			12		
OTHER				Total OT Units	0

BEDROOMS	0			0
	1			100
	2			0
	3			0
	4			0
	5			0

Note: 2013 QAP requirements to maintain the same amount of points are:
 20% of all low income units at 50% AMI or below.
 7.5% off all low income units at 30% AMI or below.

Cost Per Square Foot Table	Development is Rehabilitation			Yes	Cost Per Sq. Ft. = \$ 51.09
	If not "Rehabilitation," select "Yes" if the Development is one of the following:				
(Building Costs)	Elevator served	Supportive Housing	Single Family	← If "Yes" above, these elections do not apply. See manual for instructions.	
\$ 3,218,900	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =		
	N/A	N/A	N/A		
				Cost Per Sq. Ft. =	N/A

Exhibit D

Letter from Lender and
Syndicator



January 6, 2014

Rick J Deyoe
President
Realtex Development Corp.
1101 S Capital of Texas Hwy
Suite F200
Austin, Texas 78746

Re: Pine Lake Estates

Dear Rick,

It is my understanding that there was an error in your tax credit application, whereby all of the units, while governed by a HUD approved HAP Contract were inadvertently listed as all 30% units in the application. This causes a problem for the bank, as it is our intent to provide financing for the project once it has been rehabbed with the tenant income make up as currently exists. It is the bank's understanding that under the current tax credit application approval, that up to 40-50% of the current seniors residing at the property would be displaced as a result of their qualifying incomes meeting those requirements at 50% and 60% of the AMI respectively, which would make them over "qualified" from a tax credit income perspective even though they qualify for the HAP rents under HUD's guidelines.

Prior to proceeding with construction financing, we will need for you to obtain approval from TDHCA to amend the income set-asides in order to accommodate seniors that qualify at all levels up to the 60% set-aside. This should not pose any problems, as the project's rents are governed by an approved HAP contract and all units will share the same rent limits as described in your application. The change is needed simply to be able to offer the units to seniors at all income levels up to 60% in order to accommodate everyone so that no seniors will have to be displaced. In the bank's opinion, the development is infeasible without an adjustment in the income set asides to include residents up to the 60% levels. As mentioned before, this will not have any impact on your TDHCA rent limits, etc. as the project rents will be governed by a HUD approved HAP which is what TDHCA used to underwrite the tax credits and project feasibility.

Sincerely,

A handwritten signature in blue ink, appearing to read "Mahesh S. Aiyer".

Mahesh S. Aiyer
Executive Vice President
CommunityBank of Texas, NA
713-308-5778



January 6, 2014

Re: Pine Lake Estates, Nacogdoches, TX

Dear Rick,

The 30% income restriction error shown in your application will need to be amended before we can move forward with financing the subject project. We will need to see approval from TDHCA to change the income set-asides for seniors that qualify up to the 60% AMI set aside. Although the current residents are qualified under the existing HAP contract, the tax credit income set asides would prevent them from returning to the property, and limit our resident base in the future. It is our understanding that almost half of the current residents would be over qualified if the income set asides remain unchanged. TDHCA underwrote to the HAP rents, so the change in income set asides should not affect the rent levels. Without this change the development is too restrictive on the tenant profile and under our assumptions is infeasible. Thank you for your prompt attention to this matter.

Regards,

A handwritten signature in blue ink that reads "David N. Payne".

David N. Payne
Vice President

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action to approve a Housing Tax Credit Amendment for Oak Ridge Apartments in Nolanville (#13118)

RECOMMENDED ACTION

WHEREAS, Oak Ridge Apartments received an award of 9% Housing Tax Credits in 2013 to construct 48 multifamily units in Nolanville;

WHEREAS, the Development also received an award of \$1,000,000 in TDHCA HOME funds in the form of a loan with a zero percent interest rate and a 40 year amortization and maturity;

WHEREAS, the Development Owner is requesting approval for a reduction of the site acreage from 13.908 acres to 12.363 to satisfy requirement from the City of Nolanville to dedicate a portion of the site for a park and this reduced acreage affects the residential density by more than 5% and requires Board approval under 10 TAC §10.405(a)(4)(F);

WHEREAS, the Development Owner is also requesting approval to revise the site plan to a design that they indicate is a more effective layout conducive to property drainage and visibility from the road and to decrease the size of the common area clubhouse from 3,750 to 1,853 square feet; and

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

NOW, therefore, it is hereby

RESOLVED, that the amendment of the Housing Tax Credit application for Oak Ridge Apartments is approved as presented to this meeting and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

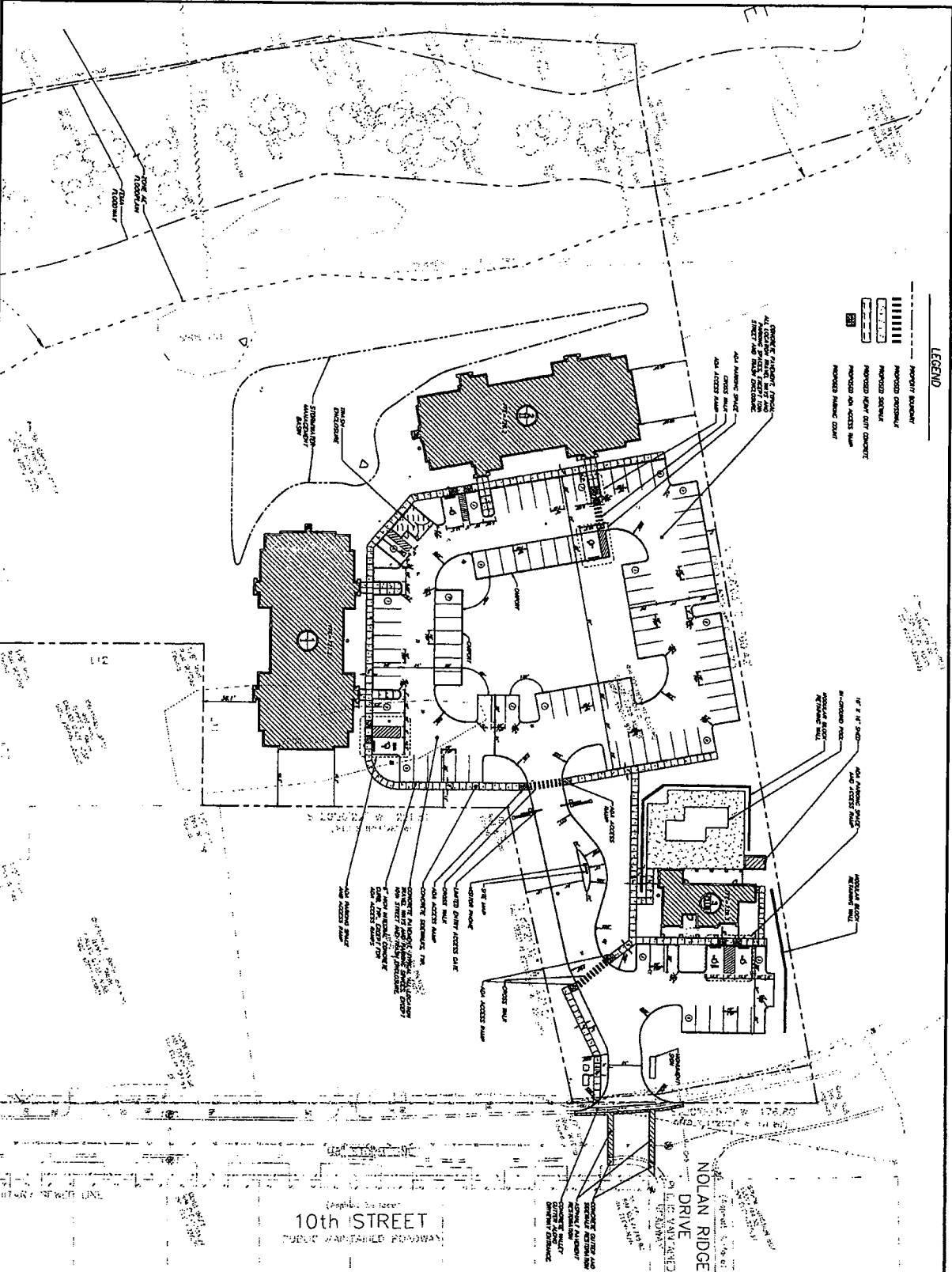
BACKGROUND



On February 24, 2014, the Development Owner requested amendments to the previously approved HTC application for Oak Ridge Apartments. The request contained a total of three specific changes to the application. The Development Owner requested approval for a reduction of the site acreage that occurred when the City required a portion of the site to be dedicated as a community park. This did not affect the location or design of the residential buildings on the site and was anticipated and identified as a possibility during the underwriting analysis and thus has no additional impact on the financial feasibility of the development as underwritten. However, although representations in the application indicate total site acreage of 13.908, the underwriting analysis already assumed that only 8.421 acres would be developed as affordable housing, with the remainder left for the community park dedication. Therefore the change in acreage from the underwriter's estimate actually reduced residential density from 5.7 units per acre to 3.45 units per acre; a 32% decrease in density.

In addition, the Development Owner requested approval for revisions to the site plan. The requested revisions are needed to specifically address fill dirt discovered on the building site, improve drainage and visibility of the development from a major road. In the original site plan, the residential buildings and clubhouse were surrounded by parking spaces. In the revised site plan, all parking spaces have been moved to an interior circle and the buildings moved toward the exterior of the site. In addition, the clubhouse was moved closer to the front entrance to be more visible from the major road access. The revised site plan was reviewed and the changes were determined to not impact the original underwriting. The revised site plan has been approved by the City of Nolanville.

Finally, the Development Owner requested a reduction in the size of the clubhouse. At application, the building plan submitted showed a total of 3,750 square feet. However, the Owner subsequently discovered that their standard clubhouse building plan submitted at application was incorrect in that it is generally used for a much larger development of 120 units. Oak Ridge Apartments has 48 units and the Owner contends that a clubhouse of 3,750 square feet is far too large for a small property. The revised plan submitted indicates the amenities originally identified in the Application will not change. The size of the rooms in the revised clubhouse design will be reduced and an assistant manager's office will be removed since this position will not be necessary for a development this size. The Applicant claims their development cost estimate submitted at application was based on the smaller clubhouse size. The underwriter's estimate of development costs were higher than the Applicant's but included the larger sized clubhouse. Using the smaller clubhouse would reduce the underwriter's cost estimate however the resulting total development cost would still favor the Applicant's submitted costs as acceptable and therefore the underwriter's conclusions about the tax credit award amount, HOME award amount or financial viability will not be affected by the above requested changes.

Staff recommends approval of the amendment request.



<p>C-101</p>	<p>CARNEY ENGINEERING COMPANY 1000 N. W. 10th St. Ft. Worth, TX 76102 Tel: (817) 731-1111 Fax: (817) 731-1111</p>		<p>CIA</p>	<p>OAK RIDGE APARTMENTS 10th Street and Nolan Ridge Drive Nolanville, Texas 78559</p>	
				<p>SITE PLAN</p>	



Attorneys & Counselors

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Direct Telephone: 512-305-4709
Direct Fax: 512-391-4709
rmorrow@lockelord.com

February 24, 2014

VIA HAND DELIVERY

Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701
Attention: Lee Ann Chance

Re: **Request to Amend Tax Credit Application**
Oak Ridge Apartments
Nolanville, Bell County, Texas
TDHCA No. 13118

Dear Lee Ann:

We represent TX Nolanville Apartments, Ltd., a Texas limited partnership ("**Developer**"), in connection with the Oak Ridge Apartments (the "**Development**"). Developer received an allocation of low-income housing tax credits in the 2013 allocation round. We are submitting this to you on Developer's behalf to request the following three (3) amendments to Developer's tax credit application:

Amendment Request 1: Adjust the acreage of the land on which the Development is to be located which is due to the City of Nolanville's (the "**City**") requirement that 1.5 acres be dedicated to the City for park land.

Amendment Request 2: Adjust the location of the buildings, driveways, and other improvements.

Amendment Request 3: Adjust the size and floor plan of the clubhouse.

Description of Amendment Request 1

1. Developer submitted its tax credit pre-application, as well as the subsequent tax credit application, with respect to the +/- 13.908-acre tract of land described on Exhibit A attached hereto (the "**Application Tract**").
2. A subsequent survey of the Application Tract set the acreage at 13.863 acres, as shown on Exhibit B, attached hereto. The City is requiring Developer to convey 1.5 acres to the City for park land, the location of which is shown on Exhibit B (the "**Park Tract**"), leaving 12.363 acres on which the Development will be located, also shown on Exhibit B (the "**Revised Tract**").
3. The Underwriting Report dated May 16, 2013, acknowledged that "The identified site is 13.9 acres, but the development (including the retention pond) will only be on the northern portion. The southern portion may be dedicated as park land if the city makes this a requirement for zoning." A copy of the Underwriting Report, as well as the Addendum to Underwriting Report dated December 19, 2014, are attached as Exhibit C (collectively, the "**Underwriting Report**").

Impact of Amendment Request 1

1. The amendment does not materially alter the Development that was approved by TDHCA as Developer made TDHCA aware of the pending conveyance to the City as evidenced by the comment in the Underwriting Report, nor does it alter any item that received points or significantly affect the most recent underwriting analysis that was submitted to TDHCA in connection with Developer's HOME loan.
2. The dedication of the Park Tract to the City falls within the carve-out in Section 50.13(b)(4)(G) of the 2013 QAP/Rules, which permits a decrease in site acreage if it is required by local government.

Description of Amendment Request 2

1. The site plan submitted with Developer's tax credit application is attached as Exhibit D (the "**Application Site Plan**").
2. Subsequently, a third party consultant conducting due diligence brought it to Developer's attention that fill dirt was found in various locations on the property. Additionally, topographic survey work resulted in the determination that the most effective drainage and site layout requires adjustments to building and drive locations. The amended site plan, as approved by the City, is attached as Exhibit E (the "**Revised Site Plan**").
3. The revisions to the Application Site Plan that are necessary to ensure the proper and most effective design of the Development, and to account for the location of the fill dirt, were unforeseeable as the conditions necessitating the revisions were only discovered after the submission of the tax credit application following further due diligence.

Impact of Amendment Request 2

1. The amendment does not (a) materially alter the Development approved by TDHCA, (b) alter any item that received points, or (b) significantly affect the most recent underwriting analysis submitted to TDHCA in connection with Developer's HOME loan.
2. The amendment benefits the Development as the Revised Site Plan results in (a) a more effective layout conducive to proper drainage; and (b) the relocation of the clubhouse to a site that is closer to the 10th Street frontage, providing much better visibility, as well as making 10th Street a more aesthetically pleasing thoroughfare, something that was encouraged and approved by the City.
3. The amendment does not significantly change the Application Site Plan as the Revised Site Plan contains the same amenities and structures as originally planned, nor does it modify the number of units or the bedroom mix; modify the scope of tenant services; reduce the square footage of the units or the common areas; significantly modify the architectural design of the Development; increase or decrease the acreage of the original site; or exclude any of the requirements referenced in Section 50.13(b)(4)(G) of the 2013 QAP/Rules.

Description of Amendment Request 3

1. The 3,750 square foot clubhouse floor plan that was submitted with the tax credit application is attached as Exhibit F (the "**Application Clubhouse Plan**").
2. The proposed 1,853 square foot clubhouse floor plan is attached hereto as Exhibit G (the "**Revised Clubhouse Plan**").
3. Developer is requesting TDHCA's approval of the Revised Clubhouse Plan as it has been discovered the original architectural plans were prepared using a clubhouse design that was designed for an apartment community with 120 units, as opposed to the 48 units in this Development, which resulted in a clubhouse that would be far too large for the Development's amenities and staff. For example, the Application Clubhouse Plan includes an office dedicated for use by an assistant manager, a position the Development will not have given its much smaller size.
4. The Revised Clubhouse Plan includes all of the amenities found in the Application Clubhouse Plan, including large front and back porches, a fitness room, an activity room, and a great room, which will easily accommodate the services and amenities that are to be provided to the 48-unit property.
5. The resizing will have a positive effect on the Development's construction, utility, and maintenance costs.

Impact of Amendment Request 3

1. The amendment does not (a) materially alter the Development approved by TDHCA, (b) alter any item that received points, or (b) significantly affect the most recent underwriting analysis submitted to TDHCA in connection with Developer's HOME loan.

2. The amendment benefits the Development as the Revised Clubhouse Plan (a) provides for a more effective layout that is sized appropriately for the number of units to be constructed at the Development; (b) positively affects the financial feasibility of the Development as interest rates and construction costs have increased since the application was submitted; and (c) reduces unnecessary utility and maintenance expenses.

3. Although the amendment will alter the size of the common area, it does not modify the number of units or the bedroom mix; modify the scope of tenant services; reduce the square footage of the units; significantly modify the architectural design of the Development; increase or decrease the acreage of the original site; or exclude any of the requirements referenced in Section 50.13(b)(4)(G) of the 2013 QAP/Rules.

Conclusion

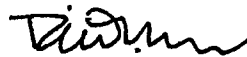
Developer believes that the requested amendments will result in a design that more effectively accounts for the Development's location and topography, increases its visibility, and remains true to the tax credit application by providing all of the same amenities as originally planned. Additionally, the revised design will allow for greater operating efficiencies and avoids unnecessary construction costs, helping ensure the long term viability of the Development.

In light of the foregoing, Developer respectfully requests TDHCA's approval to amend its tax credit application by (a) replacing the Application Tract with the Revised Tract; (b) replacing the Application Site Plan with the Revised Site Plan; and (c) replacing the Application Clubhouse Plan with the Revised Clubhouse Plan.

A check in the amount of \$2,500.00 is enclosed for payment of the amendment fee. We anticipate that the amendment can be approved administratively and that the amendment fee will be returned to Owner; however, if it requires Board approval, please contact me and include it for consideration at the next Board meeting. Please also contact me if you need any additional information.

Thank you for your time and attention to this matter.

Sincerely,



Richard D. Morrow

cc: Chris Applequist (*via e.mail*)
Brian McGeedy (*via e.mail*)

EXHIBIT A
Application Tract



TEXAS ASSOCIATION OF REALTORS®
COMMERCIAL CONTRACT - UNIMPROVED PROPERTY

USE OF THIS FORM BY PERSONS WHO ARE NOT MEMBERS OF THE TEXAS ASSOCIATION OF REALTORS® IS NOT AUTHORIZED.
 ©Texas Association of REALTORS®, Inc. 2010

1. **PARTIES:** Seller agrees to sell and convey to Buyer the Property described in Paragraph 2. Buyer agrees to buy the Property from Seller for the sales price stated in Paragraph 3. The parties to this contract are:

Seller: Walter H. Castro
 Address: 1293 Jack Rebbir Road, Belton, TX 76513
 Phone: (254) 681-6698 Fax: _____
 E-mail: _____

Buyer: Albatross Development, LLC
 Address: 8980 Castle Arch CT, Austin, TX 78749
 Phone: (512) 971-9866 Fax: (512) 961-8048
 E-mail: _____

2. **PROPERTY:**

A. "Property" means that real property situated in Bell County, Texas at +/- 13.908 acres located on S. 10th St., Nolanville, TX 76559 (address) and that is legally described on the attached Exhibit "A" or as follows: The legal description will be changed at closing to the field notes from a new survey by the Buyer.

B. Seller will sell and convey the Property together with:
 (1) all rights, privileges, and appurtenances pertaining to the Property, including Seller's right, title, and interest in any minerals, utilities, adjacent streets, alleys, strips, gores, and rights-of-way;
 (2) Seller's interest in all leases, rents, and security deposits for all or part of the Property; and
 (3) Seller's interest in all licenses and permits related to the Property.
 (Describe any exceptions, reservations, or restrictions in Paragraph 12 or an addendum.)
 (If mineral rights are to be reserved an appropriate addendum should be attached.)

3. **SALES PRICE:**

A. At or before closing, Buyer will pay the following sales price for the Property:

(1) Cash portion payable by Buyer at closing	\$	<u>250,344.00</u>
(2) Sum of all financing described in Paragraph 4	\$	<u>0.00</u>
(3) Sales price (sum of 3A(1) and 3A(2))	\$	<u>250,344.00</u>

(TAR-1802) 1-26-10

Initialed for Identification by Seller WHL and Buyer W

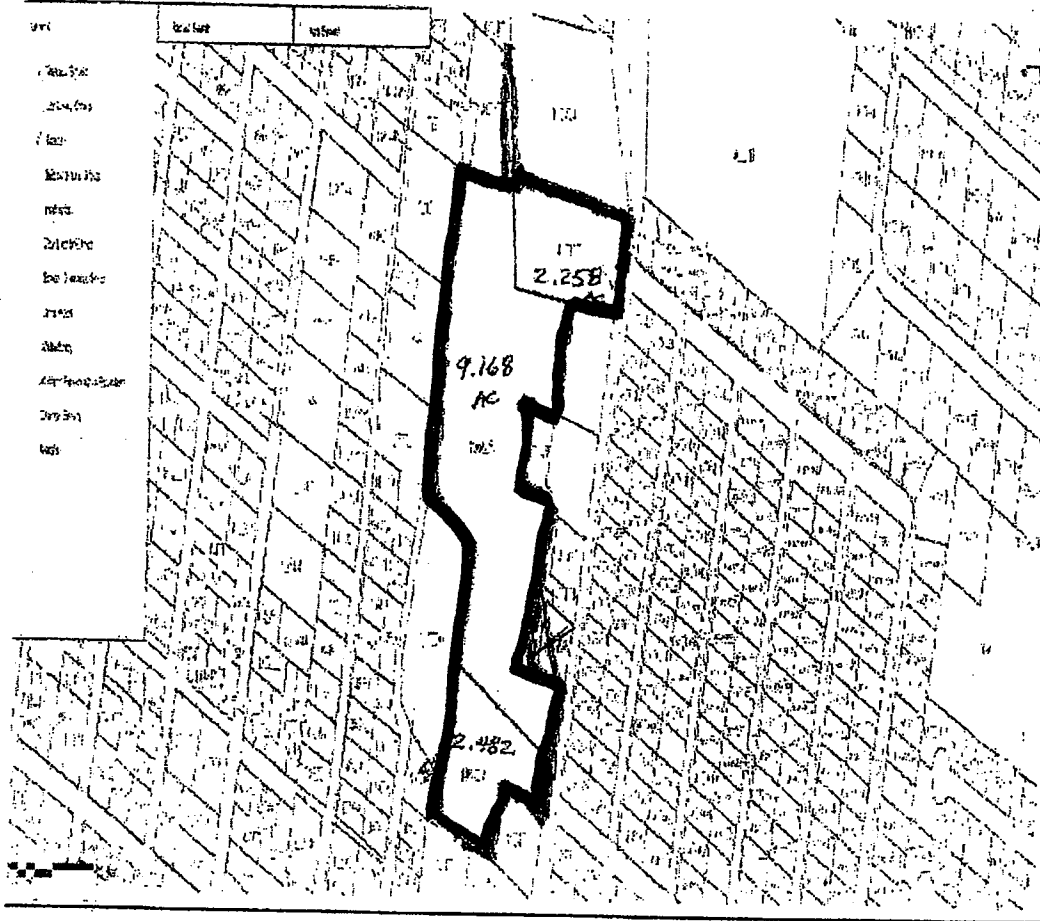
DBP, Inc. dba David Barr Properties: PO Box 10040 Killeen, TX 76547-0040
 Phone: 254.526.2277 Fax: 254.526.0252 David Barr

Produced with ZipForm® by zipLogix 18070 Fifteen Mile Road, Fraser, Michigan 48026 www.ziplogix.com

Exhibit "A"

Legal Description

DATE: _____ TIME: _____
BY: _____ FOR: _____
BY: _____ FOR: _____
BY: _____ FOR: _____



Initialed for Identification by Seller WHL and Buyer [Signature] Page 1 of 1

EXHIBIT B

Park Tract and Revised Tract

EXHIBIT C

Underwriting Report



DEVELOPMENT IDENTIFICATION

TDHCA Application #: **13118** Program(s): **9% HTC**

Oak Ridge Apartments

Address/Location: West of the intersection of 10th Street and Nolan Ridge Drive

City: Nolanville County: Bell Zip: 76559

Population: Family Program Set-Aside: General Area: Urban

Activity: New Construction Building Type: Garden (Up to 3-story) Region: 8

Analysis Purpose: New Application - Initial Underwriting

ALLOCATION

TDHCA Program	REQUEST				RECOMMENDATION				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	Lien
LIHTC (Annual)	\$500,000				\$500,000				

CONDITIONS

- 1 Receipt and acceptance by Commitment:
 - a: Formal commitment from USDA-RD for 538 loan of \$2,300,000 at 4.25% for 40 years.
 - b: City of Nolanville final approval of requested zoning change including determination on the amount of dedicated land for parks and the amount of park fees, if applicable.
- 2 Receipt and acceptance by Cost Certification:
 - * Documentation clearing environmental issues contained in the ESA report, specifically:
 - * If any improvements are located within the 100-year floodplain, An architectural engineer's certification that the finished ground floor elevation for each building is at least one foot above the floodplain and that all drives, parking and amenities are not more than 6 inches below the floodplain, or a Letter of Map Amendment ("LOMA") or Letter of Map Revision ("LOMR-F") indicating that the development is no longer within the 100 year floodplain.
- 3 Should any terms of the proposed capital structure change, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

SET-ASIDES

TDHCA SET-ASIDES for HTC LURA		
Income Limit	Rent Limit	Number of Units
30% of AMI	30% of AMI	5
40% of AMI	40% of AMI	0
50% of AMI	50% of AMI	10
60% of AMI	60% of AMI	33

RISK PROFILE

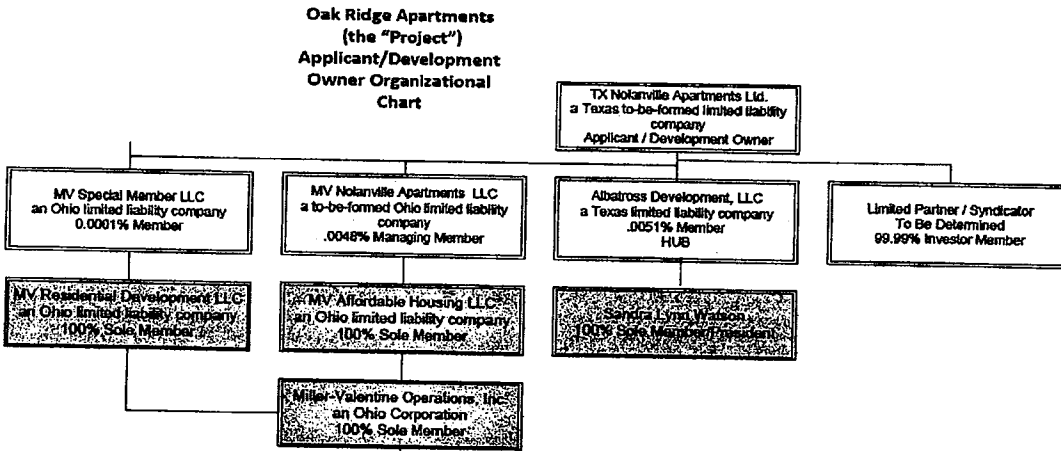
STRENGTHS/MITIGATING FACTORS	WEAKNESSES/RISKS
<ul style="list-style-type: none"> ▫ Experienced LIHTC developer/operator outside Texas 	<ul style="list-style-type: none"> ▫ Developer has not completed project in Texas (two 2012 allocations under construction)
<ul style="list-style-type: none"> ▫ 1.28:1 DCR 	<ul style="list-style-type: none"> ▫ 69% of total units are subject to market rental rate risk (pro forma rents less than program maximum rents)
<ul style="list-style-type: none"> ▫ 83.63% break-even occupancy 	<ul style="list-style-type: none"> ▫ Limited visibility from major thoroughfare
<ul style="list-style-type: none"> ▫ Strong demand (1% capture rate) 	<ul style="list-style-type: none"> ▫ 9% individual unit capture rate on 60% 3-bedroom units
<ul style="list-style-type: none"> ▫ Directly across street from exemplary rated elementary school that will enhance marketing efforts 	<ul style="list-style-type: none"> ▫ Part-time manager

DEVELOPMENT TEAM

PRIMARY CONTACTS

Name: <u>Chris Applequist</u> Email: <u>chris.applequist@mvg.com</u>	Relationship: <u>Developer</u> Phone: <u>(817) 501-9577</u>
Name: <u>Brian McGeady</u> Email: <u>brian.mcgeady@mvg.com</u>	Relationship: <u>Developer</u> Phone: <u>(513) 774-8400</u>

OWNERSHIP STRUCTURE



Related-Party Seller/Identity of Interest: No

- The Applicant, Developer, General Contractor, and Property Manager are related entities.

GENERAL INFORMATION

Total Size:	<u>13,908 acres</u>	Scattered Site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
Flood Zone:	<u>A, AE, X</u>	Within 100-yr floodplain?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	partial
Zoning:	<u>B-3 (partial)</u>	Re-Zoning Required?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
Density:	<u>5.7 units/acre</u>	Utilities at Site?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No	
		Title Issues?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	

Surrounding Uses:

Elementary school, single family homes, undeveloped land, and a tributary.

Other Observations:

The identified site is 13.9 acres, but the development (including the retention pond) will only be on the northern portion. The southern portion may be dedicated as park land if the city makes this a requirement for zoning.

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Phase Engineering, Inc. Date: 2/20/2012

Recognized Environmental Conditions (RECs) and Other Concerns:

- "The portion of the subject property along the tributary that traverses the west portion of the subject property lies in Zone A and Zone AE. The remainder of the subject property lies in Zone X."
- The National Wetland Inventory map indicates a surface water feature located on the west portion of the subject property ... these areas are not defined as wetland areas at the time of the site visit ... this area may be hydrologically connected to other jurisdictional wetland areas ... If this feature is to be disturbed during development activities, then the appropriate U.S. Army Corps of Engineers office should be contacted to determine if permitting is required.

MARKET ANALYSIS

Provider: Bowen National Research Date: 3/11/2013
 Contact: Jack Wiseman Phone: 614.833.9300
 Number of Revisions: 1 Date of Last Applicant Revision: 4/25/2013

Primary Market Area (PMA): 80 sq. miles 5 mile equivalent radius

The Primary Market Area is defined by 14 census tracts in Nolanville, Bell County which is considered to be part of the Killeen-Fort Hood Area.

ELIGIBLE HOUSEHOLDS BY INCOME								
Bell County Income Limits								
HH size	30% of AMI		40% of AMI		50% of AMI		60% of AMI	
	min	max	min	max	min	max	min	max
1	\$11,451	\$12,510	--	--	\$19,131	\$20,850	\$22,937	\$25,020
2	\$11,451	\$14,280	--	--	\$19,131	\$23,800	\$22,937	\$28,560
3	\$13,783	\$16,080	--	--	\$22,971	\$26,800	\$27,566	\$32,160
4	\$15,909	\$17,850	--	--	\$26,503	\$29,750	\$31,817	\$35,700
5	\$15,909	\$19,290	--	--	\$26,503	\$32,150	\$31,817	\$38,580
6	--	--	--	--	--	--	--	--

AFFORDABLE HOUSING INVENTORY in PRIMARY MARKET AREA					
File #	Development	Type	Target Population	Comp Units	Total Units
Proposed, Under Construction, and Unstabilized Comparable Developments					
	None			0	
Other Affordable Developments in PMA since 2009					
09163	Tremont Apartment Homes	new	senior	n/a	112
Stabilized Affordable Developments in PMA (pre-2009)					
Total Properties (pre-2009)		3	Total Units		368

Proposed, Under Construction, and Unstabilized Comparable Supply:
None.

OVERALL DEMAND ANALYSIS				
	Market Analyst		Underwriter	
Total Households in the Primary Market Area	30,085		29,033	
Potential Demand from the Primary Market Area	5,541		5,036	
Potential Demand from Other Sources	0		0	
GROSS DEMAND	5,541		5,036	
Subject Affordable Units	48		48	
Unstabilized Comparable Units	0		0	
RELEVANT SUPPLY	48		48	
Relevant Supply + Gross Demand = GROSS CAPTURE RATE	0.9%		1.0%	

Demand Analysis:

The Underwriter agrees with the capture rate calculated by the Market Analysis. The maximum Gross Capture Rate for urban developments targeting family households is 10%; the analysis indicates sufficient demand to support the proposed development.

UNDERWRITING ANALYSIS of PMA DEMAND by UNIT TYPE								
Unit Type	Market Analyst				Underwriter			
	Demand	Subject Units	Comp Units	Unit Capture Rate	Demand	Subject Units	Comp Units	Unit Capture Rate
1 BR/30%	523	1	0	0%	108	1	0	1%
1 BR/50%	932	2	2	0%	191	2	0	1%
1 BR/60%	1,368	3	3	0%	236	3	0	1%
2 BR/30%	425	2	4	0%	125	2	0	2%
2 BR/50%	861	5	6	1%	187	5	0	3%
2 BR/60%	1,335	17	7	1%	283	17	0	6%
3 BR/30%	625	2	8	0%	86	2	0	2%
3 BR/50%	1,194	3	10	0%	151	3	0	2%
3 BR/60%	2,042	13	11	1%	140	13	0	9%

Primary Market Occupancy Rates:

The market study reports 300 tax credit units at 100% occupancy, and 1,712 market rate units at 94% occupancy.

Department data indicates 368 HTC units in the PMA at 96% occupancy. Ridge Point, a 172-unit 2005 family HTC property located just outside the PMA, is 94% occupied. Tremont, a 112-unit 2009 senior HTC property is 100% occupied.

Absorption Projections:

The Market Analyst estimates an absorption rate of six units per month with stabilization achieved within seven months of opening. (p. 4)

Tremont Apartment Homes, a senior property in Killeen just outside the PMA, leased-up to 100% occupancy at 7 units per month during 2012-13.

Market Impact:

The Market Analyst states there is pent-up demand for affordable housing in the area as four LIHTC developments in the PMA and surrounding market area in Temple are at 100% occupancy and have waiting lists. (p. 1-4) As a result, the Market Analyst believes there will be very little impact on the existing occupancy rates.

Comments:

Many of Fort Hood's personnel qualify for affordable housing (pay grade Junior NCO and below). Given the demand from the military at Fort Hood (less than 10 miles from the subject development) and the extremely low capture rate, the Market Analyst believes the subject will be very competitive.

OPERATING PROFORMA

SUMMARY- AS UNDERWRITTEN (Applicant's Profoma)					
NOI:	\$153,605	Avg. Rent:	\$654	Expense Ratio:	56.6%
Debt Service:	\$119,679	B/E Rent:	\$605	Controllable Expenses:	\$2,523
Net Cash Flow:	\$33,926	Occupancy:	92.50%	Property Taxes/Unit:	\$552
Aggregate DCR:	1.28:1	B/E Occupancy:	83.63%	Program Rent Year:	2013

Applicant's rents on 60% units (33 units or 69% of total units) are 6-10% below maximum program rents and subject to market rent risk. Underwriter's estimates are slightly higher based on comparable properties in the Killeen area. Applicant's overall EGI is within 1% of UW.

Applicant used utility letter for Killeen, which requires Compliance approval since Nolanville is a separate municipality. In the case that Compliance elects to utilize the Central Texas Housing Assistance Program Utility Letter, rents would decrease \$8-\$36 depending on unit type. The project would still be within TDHCA guidelines for DCR, Expense Ratio, and Break Even.

Applicant's expenses are 4% lower than UW estimate, and NOI is 4% higher. Average rent with one month concession would be at break-even. Break-even occupancy of 83% allows for 7 vacant units.

Number of Revisions: 1 Date of Last Applicant Revision: 4/26/2013

ACQUISITION INFORMATION

SITE CONTROL

Type: Commercial Contract - Unimproved Property Acreage: 13.908
 Acquisition Cost: \$250,344 Contract Expiration: 11/27/2013
 Cost Per Unit: \$5,216
 Seller: Walter H. Castro Related to Development Team? Yes No
 Buyer: Albatross Development, LLC.

DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (Applicant's Costs)

Acquisition	\$18,000/ac	\$5,216/unit	\$250,344	Contractor Fee	\$499,275
Offsite + Sitework		\$12,000/unit	\$726,000	Developer Fee	\$1,026,300
Building Cost	\$59.28/sf	\$59,800/unit	\$2,870,400	Soft Cost	\$1,157,270
Contingency	6.45%	\$4,834/unit	\$232,034	Reserves	\$271,365
Total Development Cost		\$7,032,988	\$146,521/unit		

Acquisition Cost

City has yet to determine whether they will require up to 1.5 acre of the site to be dedicated as park land or \$7,000 in fees paid in lieu of this requirement. This dedication will not affect economics of the deal and could benefit marketing efforts.

Offsite

The City of Nolanville is requiring \$30,000 of off-site landscaping.

Sitework

Includes on-site grading, paving, pool, playground, and perimeter fencing.

Building Cost:

Typical 3-story garden style construction and specifications. Limited ornamentation and low roof pitch (3/12). REA cost \$4K/unit higher than Applicant.

Contingency & Fees:

Reserves include lease up, operating reserve, and RD 538 conversion and pre-funded reserves.

Conclusion:

Eligible basis of \$6,157,905 would support a tax credit allocation of \$720,475.

COST SCHEDULE Number of Revisions: 1 Date of Last Applicant Revision: 4/26/2013

UNDERWRITTEN CAPITALIZATION

Applicant Revisions: 0 Last Update: N / A

INTERIM SOURCES

Funding Source	Description	Amount	Rate	LTC
KeyBank	Conventional Loan	\$5,650,000	5.00%	83%
City of Nolanville	Local Government	\$32,000	3.00%	0%
RBC Capital Markets	HTC	\$1,112,389	\$0.89	16%
		\$6,794,389	Total Sources	

Comments:

City of Nolanville loan will be repaid at Construction completion from equity.

PERMANENT SOURCES

Debt Source	PROPOSED				UNDERWRITTEN				
	Amount	Interest Rate	Amort	Term	Amount	Interest Rate	Amort	Term	LTC
Lancaster Pollard (RD 538)	\$2,300,000	4.25%	40	40	\$2,300,000	4.25%	40	40	33%
	\$0	0.00%	0	0					
Total	\$2,300,000				\$2,300,000				

Comments:

RD Conversion Reserve excluded from Applicant's permanent sources and uses since it is only an interim reserve.

Equity & Deferred Fees	PROPOSED			UNDERWRITTEN			
	Amount	Rate	% Def	Amount	Rate	% TC	% Def
RBC Capital Markets	\$4,449,555	\$0.89		\$4,449,555	\$0.89	63%	
MV Residential Development LLC	\$283,433		28%	\$283,433		4%	28%
Total	\$4,732,988			\$4,732,988			
				\$7,032,988			Total Sources

Comments:

Equity price of \$0.89 in line with current rates seen by Underwriter.

CONCLUSIONS

Recommended Financing Structure:

The total development cost estimate of \$7,032,988 less the permanent loan of \$2,300,000 leaves a gap of \$4,732,988.

The three possible tax credit allocations are:

Allocation determined by eligible basis:	\$720,475
Allocation limited by gap in financing:	\$531,850
Allocation requested by the Applicant:	\$500,000

A tax credit allocation of \$500,000 (as requested by Applicant) is recommended. At the credit price of \$0.89, this allocation provides \$4,449,555 in total equity proceeds.

The underwritten capital structure indicates the need to defer \$283,433 of the developer fee. This amount can be repaid from cash flow within eight years of stabilized operations.

Underwriter: Eric Weiner

Manager of Real Estate Analysis: Thomas Cavanagh

Director of Real Estate Analysis: Brent Stewart

UNIT MIX/RENT SCHEDULE
 Oak Ridge Apartments, Nolanville, 9% HTC #13118

LOCATION DATA	
CITY:	Nolanville
COUNTY:	Bell
PROGRAM REGION:	8
PIS Date:	On or After 1/18/2013
IREM REGION:	

UNIT DISTRIBUTION		
# Beds	# Units	% Total
1	6	12.5%
2	24	50.0%
3	18	37.5%
4		
TOTAL	48	100.0%

Applicable Programs
9% Housing Tax Credit

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Base Adjustment	130%
Applicable Fraction	100.00%
APP % Acquisition	
APP % Construction	9.00%
Average Unit Size	1,009 SF

UNIT MIX / MONTHLY RENT SCHEDULE																			
HTC	Unit Mix				APPLICABLE PROGRAM RENT				APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS			MARKET RENTS			
	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Tenant Pd UA's (Verified)	Max Net Program Rent	Delta to Max Program	Rent per NRA	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent per NRA	Delta to Max Program	Market Rent	Rent per NRA
TC30%	\$334	1	1	1	750	\$334	\$52	\$282	\$0	\$0.38	\$282	\$282	\$282	\$282	\$0.38	\$0	\$589	0.79	\$307
TC50%	\$558	2	1	1	750	\$558	\$52	\$506	\$0	\$0.67	\$506	\$1,012	\$1,012	\$506	\$0.67	\$0	\$589	0.79	\$83
TC60%	\$669	3	1	1	750	\$669	\$52	\$617	(\$37)	\$0.77	\$580	\$1,740	\$1,767	\$589	\$0.79	(\$28)	\$589	0.79	\$0
TC30%	\$402	2	2	2	993	\$402	\$63	\$339	\$0	\$0.34	\$339	\$678	\$678	\$339	\$0.34	\$0	\$690	0.69	\$351
TC50%	\$670	5	2	2	993	\$670	\$63	\$607	(\$12)	\$0.60	\$595	\$2,975	\$3,036	\$607	\$0.61	\$0	\$690	0.69	\$83
TC60%	\$804	17	2	2	993	\$804	\$63	\$741	(\$51)	\$0.69	\$690	\$11,730	\$11,730	\$690	\$0.69	(\$51)	\$690	0.69	\$0
TC30%	\$464	2	3	2	1116	\$464	\$79	\$385	\$0	\$0.34	\$385	\$770	\$770	\$385	\$0.34	\$0	\$787	0.71	\$402
TC50%	\$773	3	3	2	1116	\$773	\$79	\$694	\$0	\$0.62	\$694	\$2,082	\$2,082	\$694	\$0.62	\$0	\$787	0.71	\$93
TC60%	\$928	13	3	2	1116	\$928	\$79	\$849	(\$50)	\$0.70	\$780	\$10,140	\$10,231	\$787	\$0.71	(\$82)	\$787	0.71	\$0
TOTALS/AVERAGE		48			48,420				(\$40)	\$0.65	\$654	\$31,409	\$31,587	\$658	\$0.65	(\$37)	\$714	\$0.71	\$56

ANNUAL POTENTIAL GROSS RENT:	\$376,908	\$379,044
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STABILIZED PROFORMA

Oak Ridge Apartments, Nolenville, 9% HTC #13118

STABILIZED FIRST YEAR PRO FORMA														
	COMPARABLES		APPLICANT					TDHCA			VARIANCE			
	Databases	Other	% EGI	Per SF	Per Unit	Amount	Amount	Per Unit	Per SF	% EGI	%	\$		
POTENTIAL GROSS RENT														
Laundry				\$0.85	\$454	\$376,908	\$379,044	\$454	\$0.85		0.6%	\$2,136		
Late Fees						\$2,500	\$1,440				0.0%	(1,440)		
Application Fees						\$5,000	\$2,880				0.0%	(2,880)		
Underwriter's Total Secondary Income							\$2,500	\$1,440			0.0%	(1,440)		
POTENTIAL GROSS INCOME						\$382,688	\$384,804				100.0%	\$2,116		
Vacancy & Collection Loss							(28,700)	(28,700)			0.6%	\$2,136		
Non-Rental Units/Concessions											0.6%	(160)		
EFFECTIVE GROSS INCOME						\$353,988	\$356,104				0.6%	\$1,976		
General & Administrative	\$16,813	\$333/Unit	20.23%	4.97%	\$0.38	\$347	\$17,800	\$16,813	\$352	\$0.35	4.16%	4.1%	687	
Management	\$27,029	8.8% EGI	15.74%	6.00%	\$0.37	\$369	\$17,698	\$17,797	\$371	\$0.37	6.00%	-0.8%	(99)	
Payroll & Payroll Tax	\$37,517	\$736/Unit	41.11%	8.75%	\$0.71	\$718	\$34,500	\$37,517	\$732	\$0.77	10.94%	-8.0%	(3,017)	
Repairs & Maintenance	\$53,460	\$874/Unit	22.87%	10.93%	\$0.73	\$740	\$35,500	\$33,480	\$687	\$0.89	9.40%	6.1%	2,040	
Electricity / Gas	\$11,183	\$233/Unit	10.37%	3.11%	\$0.23	\$229	\$11,000	\$10,376	\$218	\$0.21	2.91%	0.0%	624	
Water, Sewer, & Trash	\$31,223	\$600/Unit	23.79%	8.33%	\$0.48	\$489	\$22,500	\$23,795	\$490	\$0.49	6.68%	-5.4%	(1,295)	
Property Insurance	\$13,080	\$0.27/SF	12.15%	3.37%	\$0.25	\$249	\$11,845	\$11,845	\$246	\$0.25	3.30%	0.0%	-	
Property Tax	2,245	\$21,521	\$448/Unit	22.07%	7.48%	\$0.55	\$553	\$26,500	\$32,498	\$677	\$0.67	8.13%	-18.5%	(5,996)
Reserve for Replacements	\$12,298	\$256/Unit	10.52%	2.73%	\$0.27	\$275	\$13,200	\$13,200	\$275	\$0.27	3.71%	0.0%	-	
Cable TV				0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-	
Supportive service contract fees				2.36%	\$0.17	\$187	\$8,000	\$8,000	\$187	\$0.17	2.35%	0.0%	-	
TDHCA Compliance fees				0.54%	\$0.04	\$40	\$1,920	\$1,920	\$40	\$0.04	0.54%	0.0%	-	
TDHCA Bond Administration Fees (TDHCA as Bond)				0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-	
Security				0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-	
Describe				0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-	
Describe				0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-	
Describe				0.00%	\$0.00	\$0	\$0	\$0	\$0	\$0.00	0.00%	0.0%	-	
TOTAL EXPENSES				68.80%	\$4.14	\$4,174	\$ 200,363	\$ 207,421	\$4,321	\$4.28	68.27%	-3.4%	(7,058)	
NET OPERATING INCOME ("NOI")				43.40%	\$3.17	\$3,200	\$153,805	\$148,523	\$3,084	\$3.07	41.73%	3.4%	\$5,282	

CONTROLLABLE EXPENSES	\$27,150/Unit	\$2,467/Unit	\$2,523/Unit	\$2,543/Unit
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LONG-TERM OPERATING PROFORMA												
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 25	YEAR 30	YEAR 35	YEAR 40
EFFECTIVE GROSS INCOME	\$353,988	\$361,047	\$368,268	\$375,834	\$383,148	\$423,024	\$467,053	\$515,884	\$569,335	\$628,592	\$694,016	\$766,250
LESS: TOTAL EXPENSES	200,363	206,187	212,202	218,284	224,748	258,487	289,649	348,087	399,798	451,891	533,724	618,817
NET OPERATING INCOME	\$153,625	\$154,860	\$156,066	\$157,249	\$158,398	\$164,537	\$177,404	\$188,878	\$189,648	\$186,701	\$160,293	\$147,434
LESS: DEBT SERVICE	119,679	119,679	119,679	119,679	119,679	119,679	119,679	119,679	119,679	119,679	119,679	119,679
NET CASH FLOW	\$33,946	\$35,181	\$36,387	\$37,570	\$38,719	\$44,858	\$57,725	\$69,199	\$69,969	\$67,022	\$40,614	\$27,714
CUMULATIVE NET CASH FLOW	\$33,928	\$69,097	\$105,484	\$143,054	\$181,773	\$321,220	\$478,945	\$648,144	\$828,113	\$1,118,035	\$1,528,649	\$2,066,363
DEFERRED DEVELOPER FEE BALANCE	\$249,507	\$214,338	\$177,849	\$140,379	\$101,680	\$0	\$0	\$0	\$0	\$0	\$0	\$0
OCR ON UNDERWRITTEN DEBT (Must-Pay)	1.29	1.29	1.30	1.31	1.32	1.37	1.40	1.42	1.42	1.39	1.34	1.25
EXPENSE/EGI RATIO	68.80%	67.11%	67.82%	68.14%	68.66%	61.34%	64.16%	67.11%	70.22%	73.46%	78.90%	80.50%

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Oak Ridge Apartments, Nolansville, 9% HTC #13118

DEBT / GRANT SOURCES															
APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE										AS UNDERWRITTEN DEBT/GRANT STRUCTURE					
DEBT (Must Pay)	MIP	Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Principal	Term	Amort	Rate	Pmt	Cumulative	
		UW	App											DCR	LTC
Lancaster Pollard (RD 538)		1.24	1.28	\$119,879	4.25%	40	40	\$2,300,000	\$2,300,000	40	40	4.25%	\$119,879	1.28	32.7%
TOTAL DEBT / GRANT SOURCES				\$119,879				\$2,300,000	\$2,300,000				\$119,879		32.7%
NET CASH FLOW		\$28,844	\$33,828										NET OPERATING INCOME	\$182,868	\$33,828 NET CASH FLOW

EQUITY SOURCES														
APPLICANT'S PROPOSED EQUITY STRUCTURE										AS UNDERWRITTEN EQUITY STRUCTURE				
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Totals			
											Total Developer Fee	18-Year Cash Flow		
RBC Capital Markets	LIHTC Equity	63.3%	\$500,000	0.89	\$4,448,555	\$4,448,555	\$0.8999	\$500,000	63.3%	\$92,899		\$1,028,269		
AV Residential Development LLC	Deferred Developer Fees	4.0%	(28% Deferred)		\$283,433	\$283,433	(28% Deferred)		4.0%			\$822,897		
Additional (Excess) Funds Req'd		0.0%			\$0	\$0			0.0%			\$339,284		
TOTAL EQUITY SOURCES		67.3%			\$4,732,088	\$4,732,088			67.3%					
TOTAL CAPITALIZATION					\$7,032,988	\$7,032,988								

DEVELOPMENT COST / ITEMIZED BASIS														
Item	APPLICANT COST / BASIS ITEMS						TDHCA COST / BASIS ITEMS						COST VARIANCE	
	Eligible Basis		Total Costs	Total Costs	Eligible Basis		%	\$						
	Acquisition	New Const. Rehab			New Const. Rehab	Acquisition								
Land Acquisition			\$5,216 / Unit	\$250,344	\$250,344	\$5,216 / Unit		0.0%	\$0					
Building Acquisition	\$0		\$ / Unit	\$0	\$0	\$ / Unit	\$0	0.0%	\$0					
Off-Sites			\$625 / Unit	\$30,000	\$30,000	\$625 / Unit		0.0%	\$0					
Sitework		\$546,000	\$11,375 / Unit	\$546,000	\$546,000	\$11,375 / Unit	\$546,000	0.0%	\$0					
Site Amenities		\$150,000	\$3,126 / Unit	\$150,000	\$150,000	\$3,126 / Unit	\$150,000	0.0%	\$0					
Building Costs		\$2,870,400	\$59,289/Unit	\$2,870,400	\$3,062,833	\$63,26 / Unit	\$3,062,833	-6.3%	(\$192,433)					
Contingency		\$232,034	4.51%	\$232,034	\$232,034	4.12%	\$232,034	0.0%	\$0					
Contractor's Fees		\$499,275	13.14%	\$499,275	\$499,275	12.42%	\$499,275	0.0%	\$0					
Indirect Construction	0	\$800,574	\$12,560 / Unit	\$802,874	\$802,874	\$12,560 / Unit	\$800,574	\$0	0.0%	\$0				
Developer's Fees	\$0	\$1,028,300	20.00%	\$1,028,300	\$1,028,300	18.17%	\$1,028,300	\$0	0.0%	\$0				
Financing	0	\$233,322	\$11,650 / Unit	\$554,398	\$554,398	\$11,650 / Unit	\$233,322	\$0	0.0%	\$0				
Reserves			\$5,653 / Unit	\$271,385	\$143,091	\$2,981 / Unit		89.6%	\$128,274					
UNADJUSTED BASIS / COST	\$0	\$8,187,908	\$148,521 / Unit	\$7,032,988	\$7,097,147	\$147,857 / Unit	\$6,350,338	\$0	-0.9%	(\$84,159)				
Acquisition Cost for Identity of Interest Seller				\$0										
Contingency		\$0												
Contractor's Fee		\$0												
Interim Interest		\$0												
Developer's Fee	\$0	\$0		\$0										
ADJUSTED BASIS / COST	\$0	\$8,187,908	\$148,521/Unit	\$7,032,988	\$7,097,147	\$147,857/unit	\$6,350,338	\$0	-0.9%	(\$84,159)				
TOTAL UNDERWRITTEN COSTS (Applicant's Uses are within 6% of TDHCA Estimate):				\$7,032,988										

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS
 Oak Ridge Apartments, Nolanville, 9% HTC #13118

	CREDIT CALCULATION ON QUALIFIED BASIS			
	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	\$0	\$6,157,905	\$0	\$6,350,338
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$6,157,905	\$0	\$6,350,338
High Cost Area Adjustment		130%		130%
TOTAL ADJUSTED BASIS	\$0	\$8,005,277	\$0	\$8,255,439
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	\$0	\$8,005,277	\$0	\$8,255,439
Applicable Percentage	0.00%	9.00%	0.00%	9.00%
ANNUAL CREDIT ON BASIS	\$0	\$720,475	\$0	\$742,989
CREDITS ON QUALIFIED BASIS		\$720,475		\$742,989

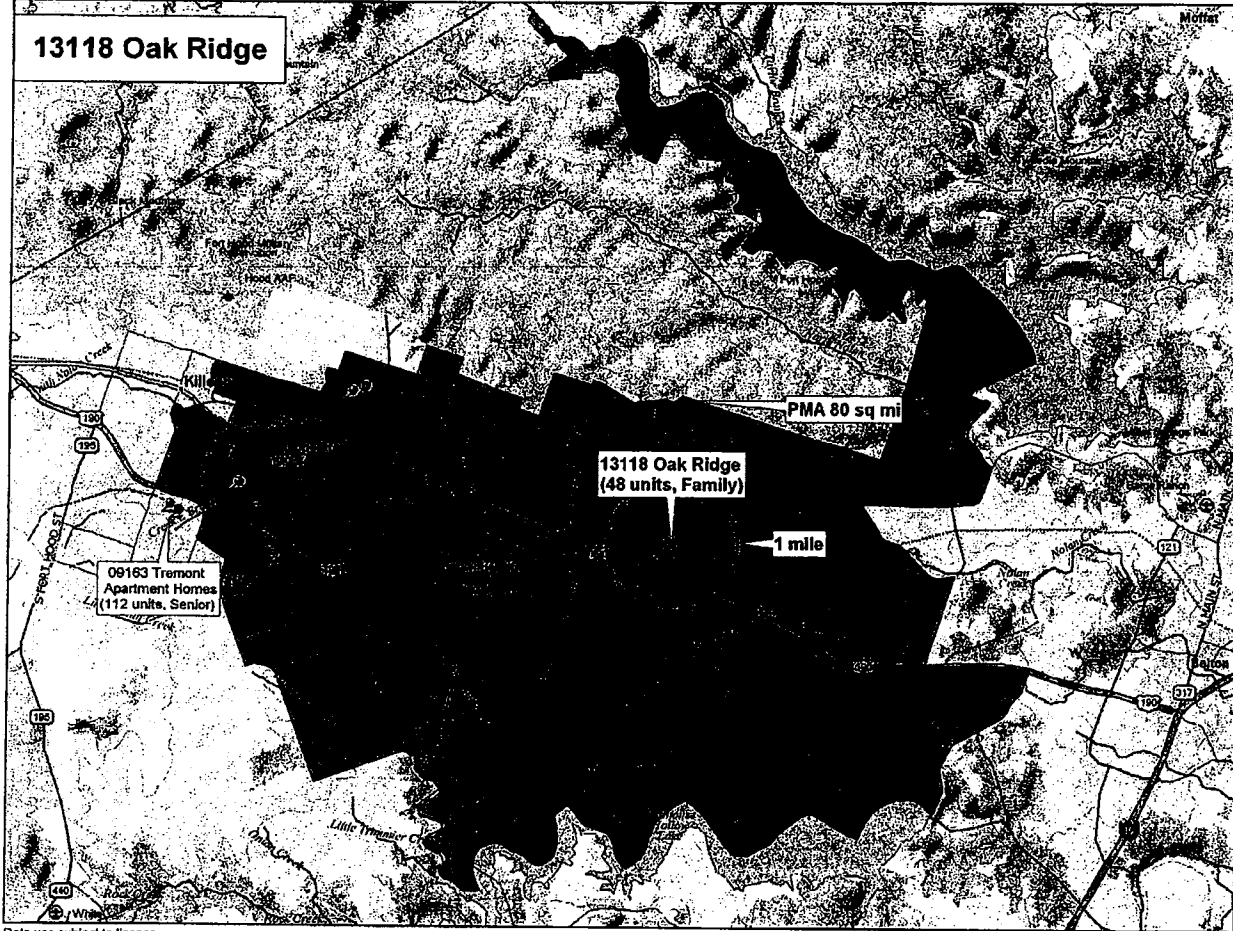
ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS		
Method	Annual Credits	Proceeds
Eligible Basis	\$720,475	\$6,411,585
Gap	\$531,850	\$4,732,988
Original Request	\$500,000	\$4,449,555
Current Request	\$500,000	\$4,449,555

FINAL ANNUAL LIHTC ALLOCATION		
Method	Current Request	Variance to Request
Credits	\$500,000	\$0
Total Equity Proceeds	\$4,449,555	\$0

Building Cost/SF			
Development Category	New Construction	Category Building Cost/SF (Mean)	\$62.92 /sf
NRA	48,420	Calculated Building Cost/SF (1)	\$68.28 /sf
Elevator Served Enclosed Corridor (2)	0	Building Cost Variance (\$)	\$2.76 /sf
Common Area (2)	0	Variance to Mean (%)	4.4%
Total SF for GAP Calculation	48,420	Building Cost/SF reported in Application (1)	\$69.28 /sf
		Variance to Mean based on Application	4.4%

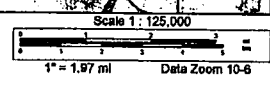
- (1) Supportive Housing, Qualified Elderly or 4-Story Development
 (2) Up to \$50 SF/Unit common area for Supportive Housing
 (3) Excludes Structured Parking

DIRECT CONSTRUCTION COST ESTIMATE				
CATEGORY	FACTOR	UNITS/SF	PER SF	AMOUNT
Base Cost:	Garden (Up to 3-story)	48,420 SF	\$80.29	2,919,174
Adjustments				
Exterior Wall Finish	0.00%		0.00	\$0
	0.00%		0.00	0
9 ft. ceilings	3.00%		1.81	87,576
Roofing			0.00	0
Subfloor			(0.12)	(5,648)
Floor Cover			2.68	129,768
Breakways	\$25.44	6,356	3.34	161,684
Balconies	\$24.98	5,850	3.03	146,886
Plumbing Fixtures	\$940	128	2.46	118,440
Rough-ins	\$465	96	0.92	44,840
Built-in Appliances	\$1,750	48	1.73	84,000
Exterior Stairs	\$2,125	16	0.70	34,000
Heating/Cooling			2.08	99,745
Enclosed Corridor	\$47.42	0	0.00	0
Carports	\$11.30	1,728	0.40	19,526
Garages		0	0.00	0
Comm./for Aux Bldg	\$75.96	3,750	5.88	284,650
Elevators		0	0.00	0
Other:			0.00	0
Other: fire sprinkler	\$2.30	58,526	2.78	134,610
SUBTOTAL			\$7.94	4,289,288
Current Cost Multiplier	0.96		-1.78	(86,189)
Local Multiplier	0.87		-11.44	(553,704)
TOTAL DIRECT CONSTRUCTION COSTS			74.77	\$3,650,395
Plans, specs, survey, bldg permits	3.00%		-3.92	(141,194)
Contractor's OH & Profit	11.50%		-8.60	(416,343)
NET DIRECT CONSTRUCTION COSTS			\$63.86/sf	\$3,082,833



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ADDENDUM to UNDERWRITING REPORT

TDHCA Application #: **13118** Program(s): **9% HTC**

Oak Ridge Apartments

Address/Location: West of the intersection of 10th Street and Nolan Ridge Drive

City: Nolanville County: Bell Zip: 76559

APPLICATION HISTORY	
Report Date	PURPOSE
12/19/13	Revised financing - HOME application
05/16/13	New Application-Initial Underwriting

ALLOCATION

TDHCA Program	PREVIOUS ALLOCATION				RECOMMENDATION				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	Lien
HOME Activity Funds	\$0				\$1,000,000	0.00%	40	40	2
LIHTC (Annual)	\$500,000				\$500,000				

* Lien position after conversion to permanent. The Department's lien position during construction may vary.

CONDITIONS

- 1 Receipt and acceptance by Commitment:
 - a: Formal commitment from USDA-RD.

STATUS: Lancaster Pollard provided a conditional commitment letter dated September 25, 2013 from Jeffrey Banker in the application submitted for HOME funds. **Condition met.**

 - b: City of Nolanville approval of requested zoning change.

STATUS: On August 19th, 2013 the City Council of Nolanville rezoned from B-3 to R-3, Multifamily District. There is a confirmation letter from the City Manager dated September 12, 2013 in the application submitted for HOME funds. **Condition met.**
- 2 Receipt and acceptance by Closing:
 - a: A Civil Engineer should be consulted to obtain the requirements of the US Army Corps of Engineers regarding the intermittent riverine which runs through part of the property.
- 3 Receipt and acceptance by Cost Certification:
 - a: Documentation clearing environmental issues contained in the ESA report, specifically:
 - i: Civil Engineer's recommendations as per the US Army Corp of Engineers regulations for the use of the land surrounding the intermittent riverine.
 - ii: If any improvements are located within the 100-year floodplain, An architectural engineer's certification that the finished ground floor elevation for each building is at least one foot above the floodplain and that all drives, parking and amenities are not more than 6 inches below the floodplain, or a Letter of Map Amendment ("LOMA") or Letter of Map Revision ("LOMR-F") indicating that the development is no longer within the 100 year floodplain.
- 4 Should any terms of the proposed capital structure change, the analysis must be re-evaluated and adjustment to the credit allocation and/or terms of other TDHCA funds may be warranted.

DEAL SUMMARY

Applicant submitted an application for HOME funds when the interest rate on his USDA 538 permanent loan increased from 4.25% to 5.75% and rendered the original Application infeasible.

OPERATING PROFORMA

SUMMARY- AS UNDERWRITTEN (Applicant's Proforma)

NOI:	\$151,705	Avg. Rent:	\$654	Expense Ratio:	57.1%
Debt Service:	\$122,297	B/E Rent:	\$613	Controllable Expenses:	\$2,523
Net Cash Flow:	\$29,408	Occupancy:	92.50%	Property Taxes/Unit:	\$592
Aggregate DCR:	1.24:1	B/E Occupancy:	84.81%	Program Rent Year:	2013

The mix of HTC-restricted units is unchanged. But due to the introduction of HOME financing, two HTC50% units are now also designated Low HOME, and six HTC60% units are now also designated High HOME. Overall rent is unchanged, and Net Operating Income has decreased by 1%.

DEVELOPMENT COST EVALUATION

SUMMARY- AS UNDERWRITTEN (Applicant's Costs)

Acquisition	\$18,000/ac	\$5,216/unit	\$250,344	Contractor Fee	\$499,275
Offsite + Sitework		\$12,000/unit	\$726,000	Developer Fee	\$1,026,300
Building Cost	\$59.28/sf	\$59,800/unit	\$2,870,400	Soft Cost	\$1,107,432
Contingency	6.45%	\$4,834/unit	\$232,034	Reserves	\$242,392
Total Development Cost	\$6,954,177	\$144,879/unit			

Conclusion:

Applicant included \$142K RD538 Conversion Reserve as both a source of funds and a use of funds. As in the original analysis, Underwriter excluded these items because it is an interim reserve account funded by the other identified sources.

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 10/29/2013

UNDERWRITTEN CAPITALIZATION

Applicant Revisions: 2 Last Update: 10/29/2013

INTERIM SOURCES

Funding Source	Description	Amount	Rate	LTC
Capital One	Conventional Loan	\$4,550,000	5.00%	65%
City of Nolanville	Local Government	\$32,000	3.00%	0%
TDHCA	HOME	\$1,000,000	0.00%	14%
Hudson Housing Capital	HTC	\$1,334,866	\$0.89	19%
Pro-Builders, Inc.	HOME match grant	\$50,000		1%

\$6,966,866 **Total Sources**

Comments:

5% matching funds are required to qualify for 0% interest on the HOME loan. Applicant provided a letter from the carpenter pledging to provide \$50K of labor and materials. Construction cost is unchanged from the previous underwriting, but Applicant failed to include this new source of construction funding. Underwriter included the matching funds in the interim and permanent capital structure.

PERMANENT SOURCES

Debt Source	PROPOSED				UNDERWRITTEN				
	Amount	Rate	Amort	Term	Amount	Rate	Amort	Term	LTC
Lancaster Pollard (RD 538)	\$1,500,000	5.75%	40	40	\$1,500,000	5.25%	40	40	22%
TDHCA	\$1,000,000	0.00%	40	40	\$1,000,000	0.00%	40	40	14%
Pro-Builders, Inc.	\$0	0.00%	0	0	\$50,000				1%
Total	\$2,500,000				\$2,550,000				

Comments:

Applicant lowered RD 538 loan by \$800k to \$1.5M to maintain a feasible DCR after the interest rate from application increased by 1.5%. This was offset by a request for \$1,000,000 in HOME funds in the form of a 40 year loan amortized over 40 years at 0% interest.

Equity & Deferred Fees	PROPOSED			UNDERWRITTEN			
	Amount	Rate	% Def	Amount	Rate	% TC	% Def
Hudson Housing Capital	\$4,449,555	\$0.89		\$4,404,177	\$0.89	63%	
deferred developer fee	\$4,622			\$0		0%	
Total	\$4,454,177			\$4,404,177			
				\$6,954,177	Total Sources		

Comments:

There was no change in equity pricing from application.

CONCLUSIONS

Recommended Financing Structure:

With the inclusion of the \$50K HOME matching funds the project is oversourced. The analysis indicates the need for \$4,404,177 of equity.

The three possible tax credit allocations are:

Allocation determined by eligible basis:	\$721,578
Allocation limited by gap in financing:	\$494,901
Allocation requested by the Applicant:	\$500,000

Based on this analysis the previous tax credit allocation (\$500,000) would be reduced by 1% (to \$494,901). This change is not considered significant, and no adjustment to the allocation is recommended at this time. Final determination of the credit allocation will be made at Cost Cert.

The Underwriter also recommends an allocation of \$1,000,000 in HOME funds in the form of a 40 year loan, amortized over 40 years at 0% interest.

The underwritten capital structure indicates no need to defer any developer fee.

If the HOME funds are not awarded, the RD538 loan amount would have to be increased to achieve the target debt coverage range, leaving insufficient cash flow to repay the deferred fee within 15 years. The Development would be characterized as infeasible.

Underwriter:	<i>Eric Weiner</i>
Manager of Real Estate Analysis:	<i>Thomas Cavanagh</i>
Director of Real Estate Analysis:	<i>Brent Stewart</i>

UNIT MIX/RENT SCHEDULE
 Oak Ridge Apartments, Nolanville, 9% HTC #13118

LOCATION DATA	
CITY:	Nolanville
COUNTY:	Bell
PROGRAM REGION:	8
PIS Date:	On or After 1/18/2013
IREM REGION:	

UNIT DISTRIBUTION		
# Beds	# Units	% Total
1	6	12.5%
2	24	50.0%
3	18	37.5%
4		
TOTAL	48	100.0%

Applicable Programs
9% Housing Tax Credit
HOME

Pro Forma ASSUMPTIONS	
Revenue Growth	2.00%
Expense Growth	3.00%
Basis Adjustment	130%
Applicable Fraction	100%
APP % Acquisition	
APP % Construction	8.00%
Average Unit Size	1,009 SF

UNIT MIX / MONTHLY RENT SCHEDULE																					
HTC		HOME (Rent/Ino)		Unit Mix				APPLICABLE PROGRAM RENT			APPLICANT'S PRO FORMA RENTS				TDHCA PRO FORMA RENTS			MARKET RENTS			
Type	Gross Rent	Type	Gross Rent	# Units	# Beds	# Baths	NRA	Gross Rent	Tenant Pd U/A's (Verified)	Max Net Program Rent	Delta to Max Program	Rent per NRA	Net Rent per Unit	Total Monthly Rent	Total Monthly Rent	Rent per Unit	Rent per NRA	Delta to Max Program	Market Rent	Rent per NRA	TDHCA Savings to Market
TC30%	\$334	0		1	1	1	750	\$334	\$52	\$282	\$0	\$0.38	\$282	\$282	\$282	\$282	\$0.38	\$0	\$589	0.79	\$307
TC50%	\$558	0		1	1	1	750	\$558	\$52	\$506	\$0	\$0.67	\$506	\$506	\$506	\$506	\$0.67	\$0	\$589	0.79	\$83
TC50%	\$558	LH/50%	\$558	1	1	1	750	\$558	\$52	\$506	\$0	\$0.67	\$506	\$506	\$506	\$506	\$0.67	\$0	\$589	0.79	\$83
TC60%	\$689	0		3	1	1	750	\$689	\$52	\$617	(\$37)	\$0.77	\$580	\$1,740	\$1,787	\$589	\$0.79	(\$28)	\$589	0.79	\$0
TC30%	\$402	0		2	2	2	993	\$402	\$63	\$339	\$0	\$0.34	\$339	\$678	\$678	\$339	\$0.34	\$0	\$690	0.69	\$351
TC50%	\$670	0		4	2	2	993	\$670	\$63	\$607	(\$12)	\$0.60	\$595	\$2,380	\$2,428	\$607	\$0.61	\$0	\$690	0.69	\$83
TC50%	\$670	LH/50%	\$670	1	2	2	993	\$670	\$63	\$607	(\$12)	\$0.60	\$595	\$2,380	\$2,428	\$607	\$0.61	\$0	\$690	0.69	\$83
TC60%	\$904	0		14	2	2	993	\$904	\$83	\$741	(\$51)	\$0.89	\$690	\$9,660	\$9,660	\$690	\$0.69	(\$51)	\$690	0.69	\$0
TC60%	\$804	HH/60%	\$782	3	2	2	993	\$782	\$83	\$729	(\$39)	\$0.89	\$690	\$2,070	\$2,070	\$690	\$0.69	(\$39)	\$690	0.69	\$0
TC30%	\$484	0		2	3	2	1116	\$484	\$79	\$385	\$0	\$0.34	\$385	\$770	\$770	\$385	\$0.34	\$0	\$787	0.71	\$402
TC50%	\$773	0		3	3	2	1116	\$773	\$79	\$694	\$0	\$0.62	\$694	\$2,082	\$2,082	\$694	\$0.62	\$0	\$787	0.71	\$83
TC60%	\$928	0		10	3	2	1116	\$928	\$79	\$849	(\$69)	\$0.70	\$780	\$7,800	\$7,870	\$787	\$0.71	(\$62)	\$787	0.71	\$0
TC60%	\$928	HH/60%	\$971	3	3	2	1116	\$928	\$79	\$849	(\$69)	\$0.70	\$780	\$2,340	\$2,381	\$787	\$0.71	(\$62)	\$787	0.71	\$0
TOTALS/AVERAGES:				48			48,420				(\$40)	\$0.65	\$654	\$31,400	\$31,687	\$659	\$0.65	(\$36)	\$714	\$0.71	\$56

ANNUAL POTENTIAL GROSS RENT:	\$376,908	\$379,044
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STABILIZED PROFORMA

Oak Ridge Apartments, Nolansville, 9% HTC #13118

STABILIZED FIRST YEAR PRO FORMA															
	COMPARABLES		APPLICANT				PRIOR REPORT		TDHCA			VARIANCE			
	Database	Other	% EGI	Per SF	Per Unit	Amount	Applicant	TDHCA	Amount	Per Unit	Per SF	% EGI	%	\$	
POTENTIAL GROSS RENT				10.65	6554	\$376,908	\$376,908	\$379,044	\$379,044	6658	30.65		0.0%	\$2,136	
Laundry						\$1,440	\$1,440						0.0%	(1,440)	
Late Fees						\$2,880	\$2,880						0.0%	(2,880)	
Application Fees						\$1,440	\$1,440						0.0%	(1,440)	
Underwriter's Total Secondary Income								\$5,780	\$5,780	\$16.00			100.0%	5,780	
POTENTIAL GROSS INCOME						\$382,968	\$382,968	\$384,824	\$384,824				0.6%	\$2,136	
Vacancy & Collection Loss						(28,700)	(28,700)	(28,880)	(28,880)	7.5% POI			0.6%	(160)	
Non-Rental Units/Concessions													0.0%	-	
EFFECTIVE GROSS INCOME						\$353,968	\$353,968	\$355,944	\$355,944				0.6%	\$1,976	
General & Administrative	\$18,813	\$353/Unit	20,230	4.97%	30.36	\$387	\$17,800	\$17,800	\$18,813	\$18,813	\$352	30.35	4.75%	4.1%	687
Management	\$27,029	8.8% EGI	15,748	5.00%	30.37	\$369	\$17,688	\$17,688	\$17,797	\$17,797	\$371	30.57	5.00%	-0.8%	(89)
Payroll & Payroll Tax	\$37,517	\$782/Unit	41,113	9.75%	30.71	\$719	\$34,500	\$34,500	\$37,517	\$37,517	\$782	30.77	10.54%	-8.0%	(3,017)
Repairs & Maintenance	\$35,460	\$367/Unit	22,879	10.03%	30.73	\$740	\$35,500	\$35,500	\$35,460	\$35,460	\$697	30.69	6.40%	6.1%	2,040
Electricity / Gas	\$11,193	\$233/Unit	10,378	3.11%	30.73	\$226	\$11,000	\$11,000	\$10,378	\$10,378	\$218	30.21	2.91%	6.0%	624
Water, Sewer, & Trash	\$31,223	\$650/Unit	23,785	6.38%	30.48	\$483	\$22,500	\$22,500	\$23,785	\$23,785	\$489	30.48	6.68%	-5.4%	(1,285)
Property Insurance	\$13,080	\$0.27/sf	12,155	3.37%	30.25	\$248	\$11,945	\$11,945	\$11,845	\$11,845	\$249	30.25	3.38%	0.0%	-
Property Tax	\$21,521	\$448/Unit	22,078	6.02%	30.56	\$592	\$28,400	\$28,500	\$28,498	\$28,498	\$682	30.49	8.33%	-14.4%	(4,786)
Reserve for Replacements	\$12,288	\$256/Unit	10,528	3.73%	30.77	\$375	\$13,200	\$13,200	\$13,200	\$13,200	\$275	30.27	3.71%	0.0%	-
Cable TV				0.00%	30.00	\$0	\$0	\$0	\$0	\$0	\$0	30.00	0.00%	0.0%	-
Supportive service contract fees			\$8,000	2.28%	30.17	\$167	\$8,000	\$8,000	\$8,000	\$8,000	\$167	30.17	2.25%	0.0%	-
TDHCA Compliance fees			\$1,920	0.54%	30.04	\$40	\$1,920	\$1,920	\$1,920	\$1,920	\$40	30.04	0.64%	0.0%	-
TDHCA Bond Administration Fees (TDHCA as)				0.00%	30.00	\$0	\$0	\$0	\$0	\$0	\$0	30.00	0.00%	0.0%	-
Security				0.00%	30.00	\$0	\$0	\$0	\$0	\$0	\$0	30.00	0.00%	0.0%	-
Describe				0.00%	30.00	\$0	\$0	\$0	\$0	\$0	\$0	30.00	0.00%	0.0%	-
Describe				0.00%	30.00	\$0	\$0	\$0	\$0	\$0	\$0	30.00	0.00%	0.0%	-
TOTAL EXPENSES			\$ 188,819	67.14%	34.18	\$4,214	\$ 202,263	\$ 200,363	\$207,421	\$ 208,118	\$4,336	34.30	88.47%	-2.8%	\$ (6,885)
NET OPERATING INCOME ("NOI")				42.86%	33.13	\$3,161	\$151,705	\$163,005	\$148,623	\$147,825	\$3,080	33.05	41.53%	2.8%	\$3,878
CONTROLLABLE EXPENSES	\$27,151/Unit	\$2,447/Unit				\$2,523/Unit	\$121,000/Unit	\$122,000/Unit			\$2,543/Unit				

LONG TERM OPERATING PROFORMA												
	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 25	YEAR 30	YEAR 35	YEAR 40
EFFECTIVE GROSS INCOME	\$353,968	\$381,047	\$368,268	\$375,894	\$383,146	\$423,024	\$487,053	\$515,884	\$569,335	\$628,592	\$684,016	\$768,250
LESS: TOTAL EXPENSES	202,263	208,154	214,216	220,480	226,868	281,868	302,523	348,415	403,649	466,388	536,914	622,834
NET OPERATING INCOME	\$151,705	\$182,893	\$164,050	\$155,173	\$164,280	\$161,858	\$184,530	\$185,248	\$185,686	\$162,204	\$165,102	\$145,416
LESS: DEBT SERVICE	122,297	122,297	122,297	122,297	122,297	122,297	122,297	122,297	122,297	122,297	122,297	122,297
NET CASH FLOW	\$29,408	\$60,597	\$41,754	\$32,876	\$43,983	\$39,762	\$62,233	\$63,949	\$63,389	\$40,907	\$42,806	\$23,120
CUMULATIVE NET CASH FLOW	\$29,408	\$90,005	\$91,758	\$124,835	\$158,508	\$343,264	\$549,087	\$785,210	\$884,305	\$1,182,168	\$1,372,071	\$1,503,089
DEFERRED DEVELOPER FEE BALANCE	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DCR ON UNDERWRITTEN DEBT (Must Pay)	1.24	1.25	1.26	1.27	1.28	1.32	1.35	1.36	1.35	1.33	1.27	1.17
EXPENSE/EGI RATIO	57.14%	57.65%	58.17%	58.69%	59.22%	61.93%	64.77%	67.76%	70.80%	74.19%	77.65%	81.28%

CAPITALIZATION / TOTAL DEVELOPMENT BUDGET / ITEMIZED BASIS

Oak Ridge Apartments, Nolanville, 9% HTC #13118

DEBT / GRANT SOURCES

APPLICANT'S PROPOSED DEBT/GRANT STRUCTURE										Orig Underwriting		AS UNDERWRITTEN DEBT/GRANT STRUCTURE						
DEBT (Must Pay)	MIP	Cumulative DCR		Pmt	Rate	Amort	Term	Principal	Principal	Term	Amort	Rate	Pmt	Cumulative				
		UW	App											DCR	LTC			
Lancaster Pollard (RD 538)	0.80%	1.54	1.58	\$95,920	5.75%	40	40	\$1,500,000	\$2,300,000	\$2,300,000	\$1,500,000	40	40	5.25%	97,297	1.58	21.8%	
TDHCA		1.22	1.25	\$25,000	0.00%	40	40	\$1,000,000			\$1,000,000	40	40	0.00%	25,000	1.24	14.4%	
CASH FLOW DEBT / GRANTS																		
Pro-Builders, Inc.		1.22	1.25		0.00%	0	0	\$0			\$0	0	0	0.00%		1.24	0.7%	
TOTAL DEBT / GRANT SOURCES				\$120,920				\$2,500,000			\$2,500,000				\$122,297		36.7%	
NET CASH FLOW		\$28,906	\$30,785															
										NET OPERATING INCOME		\$181,706			\$28,408	NET CASH FLOW		

EQUITY SOURCES

APPLICANT'S PROPOSED EQUITY STRUCTURE										Orig Underwriting		AS UNDERWRITTEN EQUITY STRUCTURE						
EQUITY / DEFERRED FEES	DESCRIPTION	% Cost	Annual Credit	Credit Price	Amount	Orig Underwriting		Amount	Credit Price	Annual Credit	% Cost	Annual Credits per Unit	Total Developer Fee	18-Year Cash Flow				
						Applicant	TDHCA								Amount	Credit Price		
Hudson Housing Capital	LRTC Equity	84.0%	\$500,000	0.88	\$4,449,555	\$4,449,555	\$4,449,555	\$4,404,177	\$0.8888	\$494,901	83.3%	\$91,754						
MV Residential Development LLC	Deferred Developer Fees	0.1%	(0% Deferred)		\$4,822	\$293,433	\$293,433				0.0%		\$1,026,300	\$648,087				
Additional (Excess) Funds Req'd		0.0%			\$0	\$0	\$0	\$0		(0% Deferred)	0.0%							
TOTAL EQUITY SOURCES		84.1%			\$4,454,177	\$4,732,988	\$4,732,988	\$4,404,177			83.3%			\$648,087				
TOTAL CAPITALIZATION					\$4,854,177	\$7,032,988	\$7,032,988	\$6,854,177										

DEVELOPMENT COST / ITEMIZED BASIS

	APPLICANT COST / BASIS ITEMS										TDHCA COST / BASIS ITEMS										COST VARIANCE	
	Eligible Basis		Total Costs	Orig Underwriting		Total Costs	Eligible Basis		Total Costs	%	\$											
	Acquisition	New Const. Rehab		Applicant	TDHCA		New Const. Rehab	Acquisition														
Land Acquisition			\$5,218 / Unit	\$250,344	\$250,344	\$250,344	\$250,344	\$5,218 / Unit									0.0%	\$0				
Building Acquisition	\$0		\$ / Unit	\$0	\$0	\$0	\$0	\$ / Unit									0.0%	\$0				
Off-Sites			\$625 / Unit	\$30,000	\$30,000	\$30,000	\$30,000	\$625 / Unit									0.0%	\$0				
Sitework		\$548,000	\$11,375 / Unit	\$548,000	\$548,000	\$548,000	\$548,000	\$11,375 / Unit		\$548,000							0.0%	\$0				
Site Amenities		\$150,000	\$3,125 / Unit	\$150,000	\$150,000	\$150,000	\$150,000	\$3,125 / Unit		\$150,000							0.0%	\$0				
Building Costs		\$2,870,400	\$58.28 / Unit	\$58,800 / Unit	\$2,870,400	\$2,870,400	\$3,062,833	\$63.30 / Unit	\$63.26 / Unit								-6.3%	(\$192,433)				
Contingency		\$232,034	6.51%	6.45%	\$232,034	\$232,034	\$232,034	\$232,034	6.12%	6.17%	\$232,034						0.0%	\$0				
Contractor's Fees		\$499,275	13.14%	13.04%	\$499,275	\$499,275	\$499,275	\$499,275	12.42%	12.51%	\$499,275						0.0%	\$0				
Indirect Construction	0	\$600,574	\$12,560 / Unit	\$602,874	\$602,874	\$602,874	\$602,874	\$12,560 / Unit		\$600,574							0.0%	\$0				
Developer's Fees	\$0	\$1,026,300	18.86%	19.86%	\$1,026,300	\$1,026,300	\$1,026,300	\$1,026,300	18.14%	19.26%	\$1,026,300						0.0%	\$0				
Financing	0	\$242,749	\$10,512 / Unit	\$504,558	\$504,558	\$504,558	\$504,558	\$10,512 / Unit		\$242,749							0.0%	\$0				
Reserves			\$5,050 / Unit	\$242,392	\$271,395	\$143,091	\$144,749	\$3,018 / Unit									67.5%	\$97,643				
UNADJUSTED BASIS / COST		\$0	\$8,187,332	\$144,879 / Unit	\$6,964,177	\$7,032,988	\$7,097,147	\$7,048,968	\$146,853 / Unit	\$6,359,765							-1.3%	(\$94,789)				
Acquisition Cost for Identity of Interest Seller					\$0	\$0																
Contingency		\$0																				
Contractor's Fee		\$0																				
Interim Interest		\$0																				
Developer's Fee	\$0	\$0			\$0	\$0																
ADJUSTED BASIS / COST		\$0	\$8,187,332	\$144,879 / Unit	\$6,964,177	\$7,032,988	\$7,097,147	\$7,048,968	\$146,853 / Unit	\$6,359,765							-1.3%	(\$94,789)				
TOTAL UNDERWRITTEN COSTS (Applicant's Uses are within 6% of TDHCA Estimate):					\$6,964,177	\$7,032,988	\$7,097,147	\$7,048,968		\$6,359,765												

CAPITALIZATION / DEVELOPMENT COST BUDGET / ITEMIZED BASIS ITEMS

Oak Ridge Apartments, Nolenville, 9% HTC #13118

CREDIT CALCULATION ON QUALIFIED BASIS

	Applicant		TDHCA	
	Acquisition	Construction Rehabilitation	Acquisition	Construction Rehabilitation
ADJUSTED BASIS	\$0	\$5,167,332	\$0	\$5,259,785
Deduction of Federal Grants	\$0	\$0	\$0	\$0
TOTAL ELIGIBLE BASIS	\$0	\$5,167,332	\$0	\$5,259,785
High Cost Area Adjustment		130%		
TOTAL ADJUSTED BASIS	\$0	\$8,017,532	\$0	\$8,267,594
Applicable Fraction	100.00%	100.00%	100.00%	100.00%
TOTAL QUALIFIED BASIS	\$0	\$8,017,532	\$0	\$8,267,594
Applicable Percentage	0.00%	0.00%	0.00%	0.00%
ANNUAL CREDIT ON BASIS	\$0	\$721,578	\$0	\$744,092
CREDITS ON QUALIFIED BASIS	\$721,578		\$744,092	

ANNUAL CREDIT CALCULATION BASED ON APPLICANT BASIS

Method	Annual Credits	Proceeds
Eligible Basis	\$721,578	\$6,421,401
Gap	\$484,801	\$4,404,177
Original Request	\$500,000	\$4,449,555
Current Request	\$500,000	\$4,449,555

FINAL ANNUAL LIHTC ALLOCATION

Method	Gap	Variance to Request
Credits	\$464,001	(\$5,098)
Total Equity Proceeds	\$4,404,177	(\$45,378)

Building Cost/SF

Development Category	New Construction	Category Building Cost/SF (Mean)	\$62.03 /sf
NRA	48,420	Calculated Building Cost/SF (2)	\$58.28 /sf
Elevator Served Enclosed Corridors (1)	0	Building Cost Variance (\$)	\$2.76 /sf
Common Area (2)	0	Variance to Mean (%)	4.4%
Total SF for QAP Calculation	48,420	Building Cost/SF reported in Application (3)	\$0.00 /sf
		Variance to Mean based on Application	100.0%

- (1) Supportive Housing, Qualified Elderly or 4-Story Devotee
 (2) Up to 850 SF/Unit common area for Supportive Housing
 (3) Excludes Structured Parking

DIRECT CONSTRUCTION COST ESTIMATE

CATEGORY	FACTOR	UNITS/SF	PER SF	AMOUNT
Base Cost:		48,420 SF	\$60.28	2,918,174
Adjustments				
Exterior Wall Finish	0.00%		0.00	\$0
D.R. ceilings	3.00%		1.81	87,575
Roofing			0.00	0
Subfloor			(0.12)	(5,840)
Floor Cover			2.68	129,788
Breastways	\$25.44	8,356	3.34	181,884
Balconies	\$24.98	5,880	3.03	146,888
Plumbing Fixtures	\$940	126	2.45	118,440
Rough-ins	\$465	80	0.92	44,640
Built-in Appliances	\$1,750	48	1.73	84,000
Exterior Stairs	\$2,125	16	0.70	34,000
Heating/Cooling			2.06	99,745
Enclosed Corridors	\$47.42	0	0.00	0
Carports	\$11.30	1,728	0.40	19,528
Garages		0	0.00	0
Comm Elev Aux Bldgs	\$75.86	3,750	5.88	284,850
Elevators		0	0.00	0
Other:			0.00	0
Other: fire sprinkler	\$2.30	59,526	2.78	134,610
SUBTOTAL			\$7.84	4,298,268
Current Cost Multiplier	0.98		-1.78	(85,165)
Local Multiplier	0.67		-11.44	(553,704)
TOTAL DIRECT CONSTRUCTION COSTS			74.77	\$3,620,343
Plans, specs, survey, bidg permits	3.80%		-3.92	(141,194)
Contractor's O/H & Profit	11.50%		-8.00	(418,302)
NET DIRECT CONSTRUCTION COSTS			\$63.86/unit	\$3,062,833

EXHIBIT D

Application Site Plan

UNIT TABULATIONS
 UNIT TYPE: 1-BEDROOM, 2-BEDROOM, 3-BEDROOM, 4-BEDROOM

UNIT TYPE	NUMBER	AREA (SQ FT)	AREA (SQ FT)	AREA (SQ FT)	AREA (SQ FT)
1-BED	1	1,100	1,100	1,100	1,100
2-BED	2	2,200	2,200	2,200	2,200
3-BED	3	3,300	3,300	3,300	3,300
4-BED	4	4,400	4,400	4,400	4,400

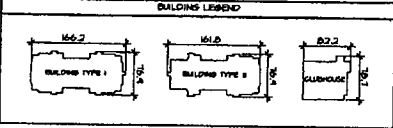
FINISHES

WALLS	PAINT
FLOORS	PAINT
CEILING	PAINT

FINISHES

WALLS	PAINT
FLOORS	PAINT
CEILING	PAINT

PARKING AND CARPORT SPACES
 (SEE SHEET TYPICAL)



OAK RIDGE APARTMENTS
 NOLANVILLE, TX - TX NOLANVILLE APARTMENTS, LTD.

KELLY GROSSMAN

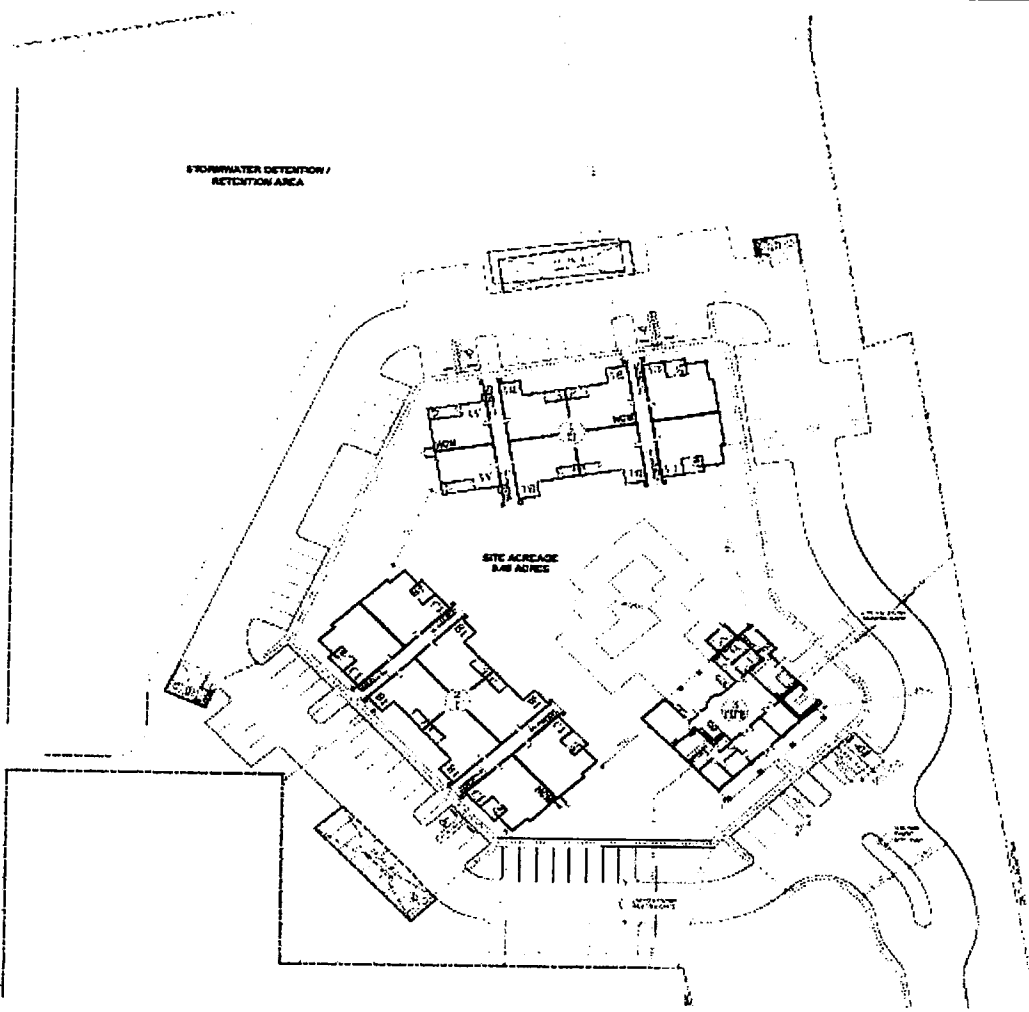
DATE: 08/11/2011

SCALE: 1/8" = 1'-0"

SITE PLAN

DEVELOPMENT SUMMARY

SITE PLAN



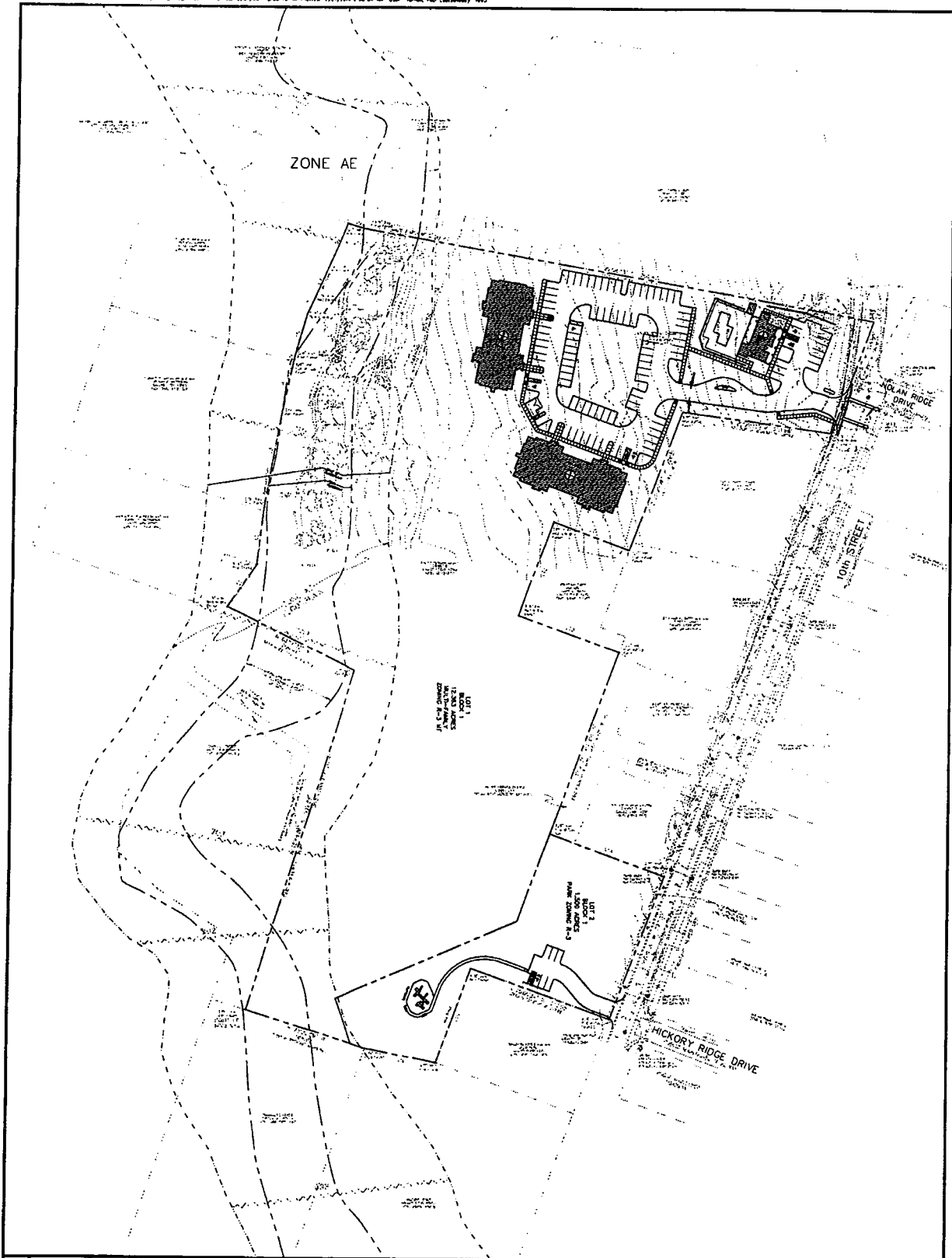
BUILDING CONFIGURATION

Building Type	Type I	Type II									Total Buildings
Floors/Stories	3	3									2
Number of Bldgs	1	1									2
Units per Bldg	24	24									48
Total Units	24	24									48
										Net Rentable SF	48,420
										Common Area SF	3,750

EXHIBIT E

Revised Site Plan

531086v.2 0054279/00003



C-101

PROJECT NO. C-101
 SHEET NO. 1 OF 1
 DATE: 01/27/2014
 DRAWN BY: JMM
 CHECKED BY: JMM

CARNERY ENGINEERING
 ENGINEERING COMPANY, INC.
 1000 SOUTH GARDNER ROAD
 SUITE 100
 NOLANVILLE, TEXAS 78559
 PHONE: (832) 580-1100
 FAX: (832) 580-1101
 WWW: WWW.CARNERYENGINEERING.COM

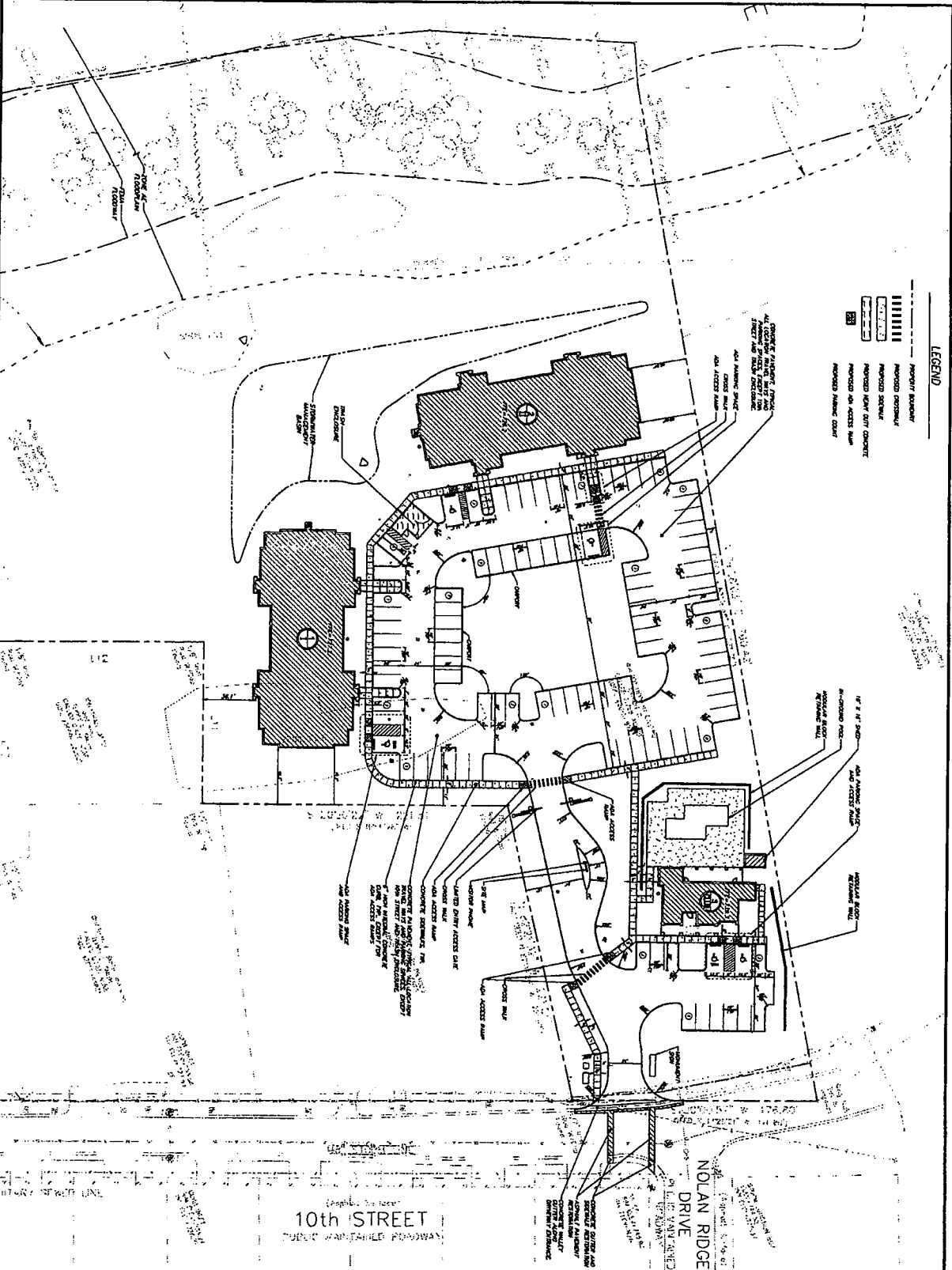
GIA
 GROUP, INC.
 1000 SOUTH GARDNER ROAD
 SUITE 100
 NOLANVILLE, TEXAS 78559
 PHONE: (832) 580-1100
 FAX: (832) 580-1101
 WWW: WWW.GIAGROUP.COM

OAK RIDGE APARTMENTS
 10th Street and Nolan Ridge Drive
 Nolanville, Texas 78559
SITE PLAN

SCALE: 1" = 40'

0 20 40

N



LEGEND

(Symbol)	PROPOSED EXISTING
(Symbol)	PROPOSED DRIVEWAY
(Symbol)	PROPOSED DRIVEWAY WITH CONCRETE
(Symbol)	PROPOSED DRIVEWAY WITH CONCRETE
(Symbol)	PROPOSED DRIVEWAY WITH CONCRETE
(Symbol)	PROPOSED DRIVEWAY WITH CONCRETE
(Symbol)	PROPOSED DRIVEWAY WITH CONCRETE

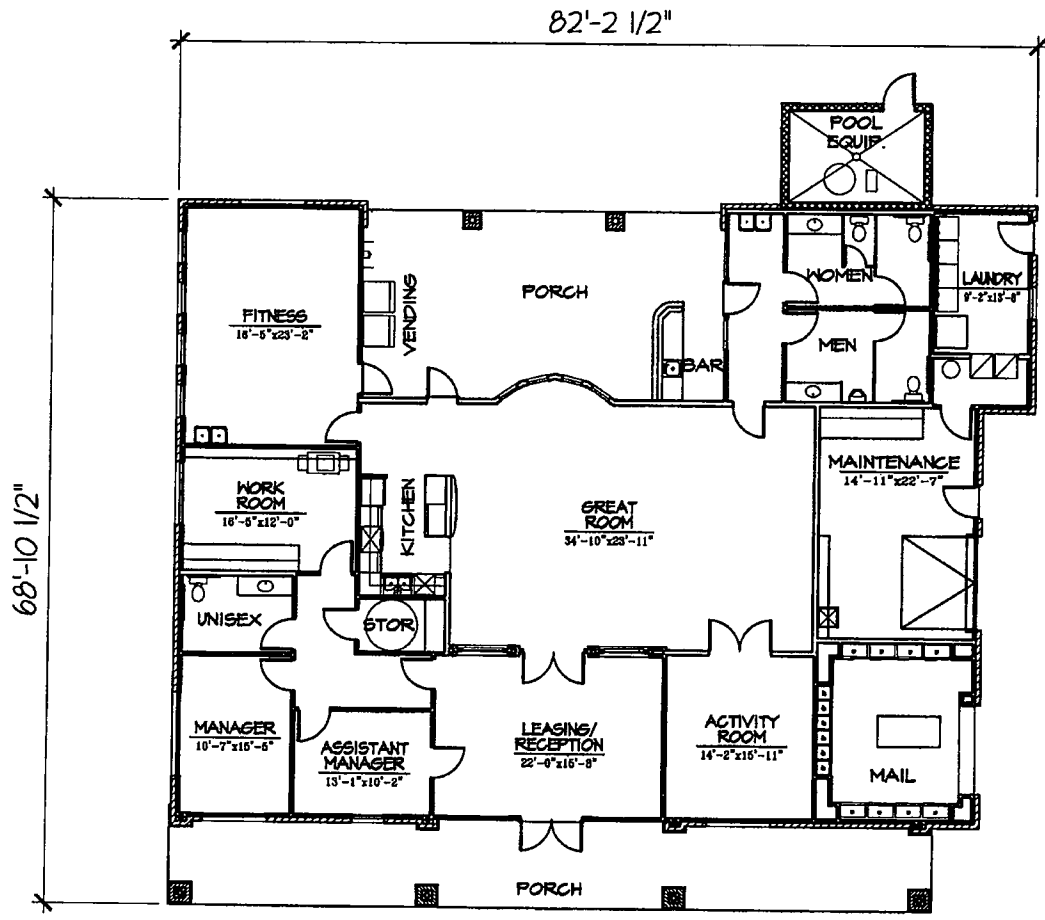
10th STREET
TYPICAL WAP-PAVED ROADWAY

NOLAN RIDGE DRIVE

<p>C-101</p>		<p>OAK RIDGE APARTMENTS 10th Street and Nolan Ridge Drive Nolanville, Texas 78559</p>	<p>GIA</p>	<p>CARNEY ENGINEERING COMPANY 14010 C Street Nolanville, Texas 78559 Tel: (409) 731-1111 Fax: (409) 731-1111</p>	<p>DATE: 11/20/2014</p> <p>PROJECT: OAK RIDGE APARTMENTS</p> <p>SCALE: AS SHOWN</p> <p>DESIGNER: JRB</p> <p>CHECKER: JRB</p>
					<p>SITE PLAN</p>

EXHIBIT F

Application Clubhouse Plan



CLUBHOUSE FLOOR PLAN

3,750 SQ. FT.

1/16"

OAK RIDGE APARTMENTS

Nolanville, Texas

TX NOLANVILLE APARTMENTS, LTD

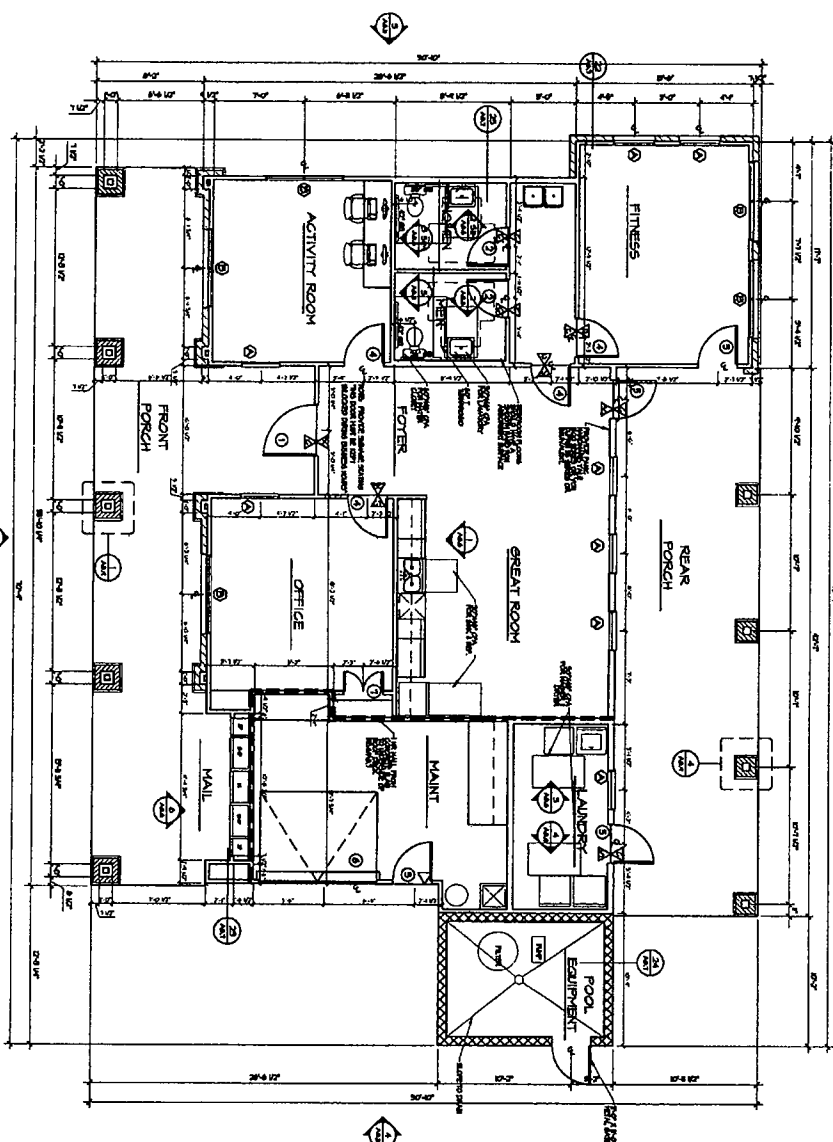
• ARCHITECTURE • LAND PLANNING • LANDSCAPE DESIGN • CONSTRUCTION ADMINISTRATION •

KELLY GROSSMAN
ARCHITECTS, LLC

280 ADDIE ROY ROAD, SUITE 210 AUSTIN, TEXAS 78748 ph: +1.512.327.3367

EXHIBIT G

Revised Clubhouse Plan



1 CLUBHOUSE FLOOR PLAN
 Net Square Footage: 1,833 SF
 1/4"

FRONT REARLINE ARE
 DIMENSIONS NOT LESS THAN
 2-1/2" UNLESS NOTED OTHERWISE IN
 THE SCHEDULE.

CLUB DOOR DOORS SHALL BE
 1-1/2" MINIMUM THICKNESS
 REINFORCED ON BOTH SIDES
 WITH 4-#4 BARS AT 12" ON CENTER
 REINFORCEMENT SHALL BE
 1-1/2" MINIMUM THICKNESS
 REINFORCED ON BOTH SIDES
 WITH 4-#4 BARS AT 12" ON CENTER
 REINFORCEMENT SHALL BE
 1-1/2" MINIMUM THICKNESS
 REINFORCED ON BOTH SIDES
 WITH 4-#4 BARS AT 12" ON CENTER

DOOR DOORS SHALL BE
 1-1/2" MINIMUM THICKNESS
 REINFORCED ON BOTH SIDES
 WITH 4-#4 BARS AT 12" ON CENTER
 REINFORCEMENT SHALL BE
 1-1/2" MINIMUM THICKNESS
 REINFORCED ON BOTH SIDES
 WITH 4-#4 BARS AT 12" ON CENTER

SEE SHEET A1-A14 FOR
 ACCESSIBILITY NOTES.

FLOOR FINISHES
 CT - CERAMIC TILE
 C - CONCRETE
 R - RUBBER FLOORING
 SC - SEALED CONCRETE
 VT - VINYL TILE

WALL FINISHES
 STUCCO
 STONE

DRAWN BY:
 K
 CHECKED BY:
 J
 PROJECT NO.:
 18-1000

PROGRESS PRINT
 MILLER VALENTINE
 5310 Valentines
 Blvd., OH
 Cincinnati, OH 45249

KELLY GROSSMAN
 ARCHITECT
 5310 Valentines Blvd., OH
 Cincinnati, OH 45249

OAK RIDGE APARTMENTS
 TITLANTON TEXAS

REVISIONS
 REVISION NO. 1
 REVISION DESCRIPTION
 DATE
 DRAWN BY
 CHECKED BY
 PROJECT NO.
 18-1000

AS

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action to approve a Housing Tax Credit Amendment for Emerald Village in San Antonio (#13196)

RECOMMENDED ACTION

WHEREAS, Emerald Village received an award of 9% Housing Tax Credits in 2013 to construct a one hundred and forty-four unit (144) multifamily development on 16 acres in San Antonio;

WHEREAS, after initial allocation but prior to completion of the underwriting, the development suffered a significant reduction in local political subdivision financing compared to what was originally anticipated by the applicant;

WHEREAS, the Development Owner is requesting approval to decrease the total site to 8.5 acres thereby reducing acquisition costs and offsetting a portion of the funding gap;

WHEREAS, this change represents a 47% reduction in total site acreage and an 87% increase in residential density;

WHEREAS, Board approval is required for any change that would materially alter a Development; and

WHEREAS, the Owner has complied with the amendment requirements in Texas Government Code §2306.6712 and 10 TAC §10.405(a)(4) and the change in acreage and other changes described in the background below would not have resulted in a different allocation recommendation for this development;

NOW, therefore, it is hereby,

RESOLVED, that the amendment of the Housing Tax Credit application for Emerald Village is approved as presented to this meeting and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Emerald Village received a 9% Housing Tax Credit allocation during the 2013 competitive cycle. After the award was approved by the Board but prior to the finalization of the

Department's underwriting process, the owner submitted a request to amend the application by reducing the site from approximately 16 acres to 8.5 acres. The reduction in the site was one of several changes made by the developer to counteract the loss of roughly \$1M in local funding.

Initially, the Applicant anticipated receiving \$1.7M in local funding from the City of San Antonio; however, that request did not score high enough during the City's FY2013 HOME application round and therefore, no award was made. In an attempt to fill the resulting gap in sources of funding, the Applicant renegotiated three pieces of the transaction:

1. An increase in credit pricing from \$.92 to \$.98;
2. A reduction in the permanent loan rate from 7.00% to 6.25%; and
3. A reduction in site acreage to decrease acquisition costs.

Additionally, the Applicant submitted a subsequent application for funding to the City of San Antonio with a request of \$750,000. While this award has not yet been made, it has been approved by the City's Quality of Life Committee and will be voted on by City Council April 3, 2014. The Applicant received points for local funding in the 2013 9% Tax Credit round; however, the subject transaction was the last eligible award remaining in the subregion; therefore, the loss of points would not impact the decision to award credits in 2013. The need for the additional financing from a feasibility perspective has been reevaluated as part of the underwriting conducted by the Real Estate Analysis Division. Their conclusion is that the local funding as revised is necessary to meet the Department's financial feasibility constraints.

The proposed change to the site would constitute a decrease in acreage of 47% and a corresponding 87% increase in residential density. The applicant contends that the density is not changing in reality, as the portion of land no longer being acquired is unusable wetlands and had not been considered in the original site plan. Moreover the number of buildings and the general location of the buildings remains relatively unchanged. Staff has examined the site documentation and found no identification of wetlands referenced in the Phase 1 ESA. However, based upon a site feasibility study, a portion of the land in question is within the Natural Resource Conservation Service Dam breach zone, which raised concerns about potential flooding issues. The Site Design and Development Feasibility Report, submitted with the application, recommended a dam breach analysis to "determine the limits of the inundation zone." The site work costs for this property are significant and include a substantial amount of fill on the portion of the site nearest the dam breach zone which changes the topography of that portion of the site by raising it considerably. The subsequently completed dam breach analysis concludes that all of the buildings on site will be above the "dam breach water surface elevation" line.

The proposed reduction in site acquisition cost is not proportional to the amount of land being removed from the development. The acreage is being reduced by 47% but the acquisition price by only 22%. Consistent with the Applicant's contention that the effective density of the site will not change, the fact that the majority of the acreage being removed from the purchase contract is below the dam breach water surface elevation line makes it less valuable and therefore explains the disproportionate cost reduction.

The Real Estate Analysis division has reviewed the proposed changes and concluded that the transaction is not financially feasible without approval of the amendment request reducing the size of the site as well as approval of the City of San Antonio HOME funds. Therefore, staff recommends approval of the amendment request consistent with the underwriting recommendation that such approval be contingent upon a funding award from the City of San Antonio in an amount not less than \$750,000 at a 1% interest rate.



200 Concord Plaza, Suite 900
San Antonio, TX 78216
Phone (210) 487-7878
Fax (210) 487-7880
www.nrpgroup.com

November 7, 2013

Mr. Cameron Dorsey
Texas Department of Housing and Community Affairs
221 E. 11th Street
Austin, TX 78701

Re: Emerald Village #13196

Dear Cameron,

Enclosed please find an executed Commitment Notice and Carryover Agreement for Emerald Village. We are excited to progress from the application stage to the next phase of project development.

To this end, the Emerald Village application will require a board-approved amendment to the application as outlined under §10.405 "Amendments and Extensions" of the 2013 Uniform Multifamily Rules with respect to §10.405(a)(4)(G) pertaining to the development site and an administrative amendment pertaining to underwriting.

The development team actively sought local funding but was not awarded the \$1,710,000 for which it applied and projected at the time of application. Upon learning of this decision, the development team pursued other options to address the resulting gap in permanent sources. Three elements will be used to balance sources and uses if approved:

- 1) A reduction in the land price to \$2,433,502
- 2) An increase in the equity pricing to \$.98 resulting in total equity of \$14,698,530
- 3) A reduction in the permanent loan rate resulting in an increased permanent loan of \$5,100,000

We believe that the changes in permanent sources as noted under 2) and 3) can be made administratively. However, the reduction in land costs is also conditioned upon a reduction in acreage of more than 10% and, for this reason, we believe board approval will be necessary.

We ask that the following points be considered in our request to reduce the development site:

- 1) The site will be reduced from 16+ acres to 8.5 acres but requires no modification of the proposed site plan submitted at application.
- 2) All third party reports submitted at application contemplated the reduced site to be developed.
- 3) The acreage that will no longer be acquired is largely comprised of unusable wetlands.
- 4) Had the smaller site and lower land price been negotiated at application, the development would not have been over-sourced as the original application contained a deferred developer of \$1,067,572, well surpassing the gain created by the lower price.

5) Emerald Village was the last application available for funding in the region.

In summary, we believe that all of the changes proposed will only alter the development of Emerald Village in a positive manner. Furthermore, the reduction of the land size and price would not have adversely affected the selection of the Application in the Application Round. We acknowledge that the denial of local funding will result in a change in scoring, However, since Emerald Village is the last application available for funding in the region, to forgo funding Emerald Village would result in a significant underfunding of the region.

We request that the amendment for land reduction be added to the TDHCA's Board Meeting calendar as you deem appropriate. A check in the amount of \$2,500 is also enclosed to process the amendment.

Please do not hesitate to contact me if you require additional documentation or need further clarification.

Sincerely,

A handwritten signature in blue ink, appearing to read "Debra Guerrero", is written in a cursive style.

Debra Guerrero
Authorized Representative

Attachments.



NaviStone Partners, LLC

5309 Transportation Boulevard
Cleveland, Ohio 44125
(216) 475-8900

October 30, 2013

Emerald Village GP LLC
P.O. Box 831332
San Antonio, TX 78283
Attention: Meghan Garza-Oswald, Executive Director

Community Housing Resource Partners, Inc.
P.O. Box 831332
San Antonio, TX 78283

Re: **Equity Letter of Intent – Emerald Village Ltd.**

Dear Sirs/Madams:

NaviStone Partners, LLC (“NaviStone”) is pleased to be given an opportunity to submit a proposal on the Emerald Village Ltd. (“Project”) located in San Antonio, Texas. This letter serves as an outline of the business terms regarding the acquisition of limited partner interests in Emerald Village Ltd., Texas limited partnership (the “Partnership”) that will own the Project. NaviStone Partners, LLC, or an assignee (the “Limited Partner”) will acquire a 99.99% Limited Partner interest (the “LP Interest”) and a Special Limited Partner interest (the “Special LP Interest”) in the Partnership.

1. **Project Information.** The “Project”, known as Emerald Village, will consist of 144 newly constructed units for rent to low-income families. The Project will consist of 144 units located in the City of San Antonio, Bexar County, within the State of Texas. Within the Project, 114 units will be LIHTC compliant.
2. **Project Ownership.** The General Partner will be Emerald Village GP LLC, which is owned 100% by Community Housing Resource Partners, Inc. The Special Limited Partner will be NRP Emerald Village LLC, which is a single-purpose taxable entity that is owned by J. David Heller, Alan F. Scott and T. Richard Bailey, Jr. Any change in the General Partner shall be subject to NaviStone’s approval. The Developers are Community Housing Resources Partners, Inc. and NRP Loan Star Development LLC. NRP Loan Star Development LLC is a for-profit limited liability company domiciled in the State of Texas. The Guarantors through Substantial Completion shall be NRP Holdings LLC, NRP Contractors, LLC, and NRP Investments, LLC

("NRP Guarantors"), on a joint and several basis in addition to J. David Heller, T. Richard Bailey, Jr., and Alan F. Scott ("Individuals"), on a several basis. Upon achievement of Substantial Completion, the Guarantors shall be limited solely to the General Partner and an affiliate of NRP, on a joint and several basis.

3. **Purchase Price.** NaviStone will acquire its LP Interest in the Partnership for a total capital contribution of \$14,698,530. This capital contribution amounts to a price of \$0.98 for every \$1.00 of federal low income housing tax credit. Prior to the initial closing and making of NaviStone's First Capital Contribution as described below in Paragraph 4, NaviStone's total capital contribution of \$14,698,530 may be adjusted downward to provide for and maintain yield maintenance. The yield maintenance calculation shall be completed by NaviStone and further reviewed and approved by NRP or the Project accountant.

4. **Capital Contributions.** NaviStone will fund its capital contribution of \$14,698,530 pursuant to the following schedule:

- A. 20.0% (\$2,939,706) shall be paid upon the closing and initial funding of the construction loan.
- B. 45.0% (\$6,614,339) shall be paid upon construction completion.
- C. 34.0% (\$4,997,500) shall be paid upon conversion to the permanent loan.
- D. 1.0% (\$146,985) shall be paid upon the receipt of 8609(s).

5. **Tax Credits.** The Project received an allocation of federal low-income tax credits from the Texas Department of Housing & Community Affairs ("Agency") in the amount of \$1,500,000 annually. The total Federal LIHTC anticipated to be delivered to the Partnership is \$15,000,000 (the "Projected Federal LIHTC").

6. **Adjusters.**

- A. **Increase or Decrease in Credit.** In the event that Actual LIHTC exceeds Projected LIHTC as determined following receipt of the cost certification from the accountant and/or Form 8609, NaviStone will pay an additional Capital Contribution equal to the product of (i) \$0.98 for the Federal LIHTC multiplied by (ii) the difference between Actual LIHTC and Projected LIHTC. In the event that Actual LIHTC are less than Projected LIHTC, NaviStone's capital contributions will be reduced by an amount equal to the product of (i) \$0.98 multiplied by (ii) the difference between Projected LIHTC and Actual LIHTC. In the event that NaviStone's capital contributions are not sufficient to

cover this downward Adjustment Amount, NaviStone shall receive a priority distribution from net cash flow as described below in Paragraph 10B until such Adjustment Amount is paid in full. Furthermore, any downward Adjustment shall not apply to amounts due solely to willful and negligent actions taken by the Limited Partner.

- B. **Timing of Credit Delivery.** In addition to the Adjustment Amount, NaviStone's capital contribution will be similarly reduced in the event that the actual amount of LIHTC for calendar year(s) are less than the amounts agreed upon amount(s) as determined by NaviStone. The amount (the "Late Delivery Adjustment") of this reduction will equal \$0.98 multiplied by the difference in the projected and actual LIHTC for such years are less than the agreed upon amounts.

In no event will the additional capital contribution to be paid by NaviStone in Paragraphs 6A and 6B exceed \$500,000, and NaviStone will pay such additional capital contribution at the funding of the Fourth and last capital contribution.

7. **Reserves.**

- A. **Operating Reserve.** An Operating Reserve in the amount of six (6) months shall be established for the benefit of the Partnership in a segregated Partnership account no later than the making of NaviStone's Third Capital Contribution. The General Partner shall be entitled to withdraw funds from the Operating Reserve in excess of \$75,000 without NaviStone's consent before funding any operating deficits under Subparagraph 8B; however, the General Partner shall be responsible for providing NaviStone with notification on any withdrawals from the Operating Reserve, which notification may be evidenced in an approved annual budget prepared by the General Partner for the Project, or if such budget is not approved, upon the request of the General Partner. Furthermore, to the extent that the balance in the Operating Reserve is less than \$75,000 upon the expiration of the Operating Deficit Guaranty Period described below in Paragraph 8B, the General Partner shall cause the Operating Reserve to be replenished back up to a minimum balance of \$75,000 and the Operating Deficit Guaranty Period shall be extended until such Operating Reserve has been fully replenished. Any interest earned on the funds in the operating reserve account shall be credited towards any minimum required balance imposed by NaviStone and/or the project lenders. Upon the expiration of the tax credit compliance period, any amounts remaining in this reserve account may be released to the General Partner, subject to any Project lender or NRP Guarantors approval.
- B. **Replacement Reserves.** Beginning concurrently with the making of NaviStone's Third Capital Contribution, the Project operating expenses will include the annual funding of a

Replacement Reserve in the minimum amount of \$250 per unit in a segregated Partnership account. Any interest earned on the funds in the replacement reserve account shall be credited towards any minimum required balance imposed by NaviStone and/or the project lenders. Any release of funds from the Replacement Reserve in excess of \$5,000 will be subject to NaviStone's consent.

8. **General Partner Guarantees.** As outlined in Paragraph 2, the Guarantors through Substantial Completion shall be the NRP Guarantors, on a joint and several basis in addition to the Individuals, on a several basis. Upon achievement of Substantial Completion, the Guarantors shall be limited solely to the General Partner, on a joint and several basis. The guarantees include the following items.

- A. **Construction Completion Guarantee.** As highlighted above, select Guarantors shall be responsible for guaranteeing lien-free completion of the Project in accordance with the plans and specifications approved by NaviStone for the amount set forth in the approved project development budget. The Completion Guarantee will provide that the select Guarantors shall pay any amount in excess of the approved project development budget as well as any Project deficiency arising prior to Substantial Completion. Any payments made hereunder shall be treated as an unsecured loan with no interest to the Partnership and be repaid solely from sale, refinance, and liquidation proceeds as provided below in Paragraph 10C. The cash portion developer fee with NaviStone's consent may also be used as a source of funds to cover any excess development costs.
- B. **Operating Deficits.** As highlighted above, upon achievement of Substantial Completion, select Guarantors will advance the amount necessary to operate and maintain the Project until the Project achieves "Stabilized Operations". Stabilized Operations is defined as rental income generated from the Project is sufficient to pay all operating expenses of the Project, including, without limitation, all actual or anticipated mandatory debt service; real estate taxes; insurance premiums; management fees; and replacement and operating reserve deposits and maintain a debt service coverage ratio of not less than 1.15 to 1.00 for three consecutive months beginning no earlier than the making of NaviStone's Third Capital Contribution. The General Partner and Guarantors shall be obligated to loan ("Operating Deficit Loan") the Project all funds needed to cover operating deficits during a 5-year period after the achievement of Stabilized Operations up to a maximum amount of \$200,000; provided, however, that such guarantee will be extended until such time as the Project can demonstrate 6 consecutive months of a 1.15 debt service coverage ratio at the end of such 5-year period. Repayment of the Operating Deficit Loan will be evidenced by an unsecured loan to the Partnership with interest at the rate of 5.0% per annum, to be repaid out of cash flow, refinancing, sale and liquidation proceeds as provided below in Paragraphs 10B and C.

- C. LIHTC Shortfall or Recapture Event. In addition to the Tax Credit and Timing Adjusters, if the actual amount of LIHTC for any year is less than Projected LIHTC, the General Partner will guarantee payment to the Limited Partner of an amount equal to the shortfall, or recapture amount, plus all applicable fees, penalties or other costs incurred by the Partnership and/or NaviStone as a result of such shortfall or recapture. Any payments made hereunder shall be treated as an unsecured loan with no interest from the General Partner to the Partnership and be repaid solely from sale, refinance, and liquidation proceeds as provided below in Paragraph 10C. The Tax Credit Compliance Guaranty set forth herein shall not apply to amounts due solely to the transfer by the Limited Partner of all or a portion of its LP Interest in the Partnership or to changes in the Code after the date hereof with which the General Partner is unable to comply despite the exercise of its good faith and reasonable efforts. Furthermore, the Tax Credit Compliance Guaranty shall not apply to amounts due solely to willful and negligent actions taken by the Limited Partner.
- D. Repurchase. The General Partner will repurchase NaviStone's interest upon the occurrence of certain events described in the Partnership Agreement.
- E. Guarantors. The Guarantors will guarantee the General Partner obligations as determined by the Limited Partner. The Guarantors will provide NaviStone with annual financial statements, and the Guarantors shall be required to collectively maintain liquidity and net worth requirements on an annual basis in the minimum amounts of \$500,000 and \$1,500,000 respectively.
9. Fees. The following fees will be paid by the Partnership for services rendered in organizing, developing and managing the Partnership and the Project.
- A. Developer Fee. The Developer will earn a fee of \$2,300,000, or such greater amount as may be approved by the Agency. NaviStone approves 15% of the current pay developer fee being paid at initial closing; however, the final amount of developer fee to be paid at initial closing shall be determined by the Project budget and approved by the Project Lenders (as may be necessary).

The portion of the developer fee that will not be paid out of the Capital Contribution will be deferred and payable to the development entity. The deferred amount will earn an 8% interest rate, or such other interest rate determined by and acceptable to NaviStone's tax counsel, in effect as of the placed-in-service date of the project. The deferred amount will be payable out of available cash flow and will mature on the 13th anniversary of the placed-in-service date ("Maturity Date"). If the deferred amount has not been repaid upon the Maturity Date, the General Partner will be required to advance the Partnership

the amount equal to the unpaid balance of the deferred amount. The developer fee with NaviStone's consent may also be used as a source of funds to cover any excess development costs.

- B. Property Management Fee. The property management fee will not exceed a total of 5.0% of gross collected rents. The appointment of the management agent and the terms of the property management agreement are subject to the prior approval of NaviStone.
- C. Asset Management Fee. The Partnership will pay the Special Limited Partner an annual asset management fee in an amount equal to \$7,500. The asset management fee will be paid annually and such fee shall accrue beginning on initial closing, with the first payment due and payable concurrently with the making of NaviStone's Third Capital Contribution. The asset management fee will increase annually by 3%.
- D. Incentive Management Fee. An incentive management fee may be payable to the General Partner and Special Limited Partner or such other entity as may be approved by NaviStone on an annual basis in an amount equal to 80% of net cash flow as outlined below in Subsection (vii) within Paragraph 10B.

10. **Distribution of Tax and Cash Benefits.**

- A. Tax Benefits. Tax profits, tax losses, and tax credits arising prior to the sale or other disposition of the Project will be allocated 99.99% to the Limited Partner and 0.0051% to the General Partner (CHR) and 0.0049% Special Limited Partner (NRP).
- B. Net Cash Flow Distributions. Distributions of net cash flow, as defined in the Partnership Agreement, but generally all cash receipts less cash expenditures (e.g., payment of debt service and property management fee), will be made as follows: (i) to the Limited Partner in proportion to any tax liability incurred by such partner; (ii) to the Limited Partner, to make any payment of any unpaid tax credit adjuster; (iii) to the Special Limited Partner as payment toward the Asset Management Fee, including any unpaid Asset Management Fee(s); (iv) to replenish the Operating Reserve as more fully described above in Paragraph 7A; (v) to the payment of any unpaid developer fee, until such fee has been paid in full; (vi) to the payment of any debts owed to the Members; (vii) to the payment of the Incentive Management Fee; and (viii) the balance 50% to the General Partner and Special Limited Partner, 50% to the Limited Partner, or such other amount determined by and acceptable to NaviStone's tax counsel.

Prior to the making of NaviStone's Third Capital Contribution, any net cash flow generated by Project operations after payment of the Asset Management Fee will be

distributed as payment toward any deferred developer fees and thereafter to the General Partner as an incentive lease-up fee, subject to any Project lender approval.

- C. Distributions upon Sale or Refinance. Net proceeds resulting from any sale or refinance will be distributed as follows: (i) to payment in full of any Partnership debts; (ii) to the establishment of any required reserves for contingent liabilities or obligations of the Partnership; (iii) to the Limited Partner to make any payment of any Adjuster Amount not previously paid, including unpaid Asset Management Fees; (iv) to the Limited Partner for any Limited Partner advances or additional Capital Contributions made by it; (v) to the Limited Partner in an amount equal to any projected federal income tax incurred as a result of the transaction giving rise to such proceeds; (vi) to the payment of any debts owed to the General Partner or its affiliates including any unpaid developer fee; and (vii) the balance 90% to the General Partner and Special Limited Partner, 10% to the Limited Partner, or such other amount as determined by and acceptable to NaviStone's tax counsel.

11. Construction. The General Partner will arrange for a fixed or guaranteed maximum price construction contract in the anticipated amount of \$13,075,467. The General Partner shall provide lien free completion but shall not be required to provide a payment and performance bond or letter of credit to secure the Contractor's obligations. The project budget and construction contract shall include a construction contingency amount equal to 5% of hard costs, and such contingency amount will be designated as a separate line item within the contract. NaviStone, may, in its sole discretion and expense, engage a construction consultant to review plans and specifications and evaluate the construction progress by providing monthly reports to the Partnership. NRP Contractors LLC has been approved as the general contractor.

12. Debt Financing. As a condition to funding our capital contribution, the General Partner will deliver the loan commitments described in subparagraphs A – C. The terms of these loans are subject to NaviStone's consent and all loans will be made directly from the lenders to the Partnership.

- A. Construction Loan. A construction loan in the projected amount of \$15,350,000 with terms and conditions including a variable interest rate and a term of no less than 24 months. It is anticipated that the construction loan will be repaid with proceeds from NaviStone's Capital Contributions and/or the Permanent Loan.
- B. Permanent Loan. A non-recourse permanent loan commitment in the projected amount of \$5,100,000 with terms and conditions no less favorable than a fixed interest rate (currently anticipated to be 6.25%), a minimum term of 18 years, a 30-year amortization,

and a minimum Debt Service Coverage Ratio which, when combined with all other required debt service payments, is at least 1.20 to 1.00 (calculated utilizing a minimum 7.0% vacancy factor).

- C. Subordinate Loans. Loan proceeds from other sources in the projected amount of \$1,100,000. The loan shall be non-recourse will have a minimum 18-year term, and provide for deferred payments until maturity.

13. **Purchase Option and Right of First Refusal.** Upon the expiration of the tax credit compliance period for the project, for a period of twenty-four (24) months, the Partnership, pursuant to Section 42 (i) (7) (A), shall grant NRP a right of first refusal to purchase the project for the minimum purchase price set forth therein. In addition, the Partnership shall grant NRP an option to purchase the project or the Limited Partner's interest for the greater of an amount sufficient to (i) pay all debts and liabilities of the Partnership, and pay the Exit Taxes imposed on the Members as a result of the sale and (ii) fair market value as reduced by customary costs of sale, including customary sales commissions. Beginning in the year following the last year in which tax credits are delivered to the Limited Partner (currently anticipated to be year 2025), the Limited Partner shall provide NRP with an option to purchase the project or the Limited Partner's interest for the greater of an amount sufficient to (i) pay all debts and liabilities of the Partnership, and pay the Exit Taxes imposed on the Member as a result of the sale or (ii) the fair market value as reduced by customary costs of sale, including customary sales commissions. NRP shall be solely responsible for such costs associated with the purchase of any required tax credit recapture bond(s) (if applicable). Moreover, subject to any Project lender(s) approval, NRP may utilize any Project reserves to defray any potential exit tax liability costs associated with exercising the Purchase Option.

14. **Due Diligence, Opinions and Financial Projections.** The General Partner will satisfy all of NaviStone's due diligence requirements, including an acceptable local law opinion. The Limited Partner's tax counsel will provide the tax opinion. The Partnership will reimburse the Limited Partner an amount equal to \$50,000 toward the costs incurred by the Limited Partner in conducting its due diligence review and for the costs and expenses of NaviStone's counsel in connection with the preparation of the tax opinion. NaviStone shall deduct this amount from its First Capital Contribution, and such amount shall be payable to NaviStone in the event the General Partner elects not to move forward even though NaviStone is prepared to initiate a lower tier closing for the Project. In the event NaviStone elects not to proceed forward toward a lower tier closing for the Project and/or requests material modifications to key business terms outlined within this proposal, NaviStone shall not be entitled to any due diligence reimbursement. The financial projections to be attached to the Partnership Agreement and that support the Tax Opinion will be prepared by NaviStone based on financial projections provided by the General

Partner. The General Partner financial projections will include eligible basis calculations, sources and uses, and cash flow statements.

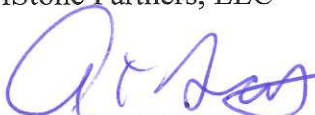
15. **Partnership Closing.** Final Partnership closing will be contingent upon NaviStone's receipt, review and approval of all due diligence including the items set forth on its due diligence checklist delivered to the General Partner, including review and approval, in its sole discretion, of the construction budget. Final Partnership closing shall also be contingent upon a satisfactory site visit conducted by NaviStone to determine overall market feasibility, which includes an analysis of proforma rents and expenses and the depth of prospective residents within the primary market area. NaviStone's agreement to acquire the LP Interest on the pricing, terms and conditions contained in this letter are further based on the assumption that the Partnership closing will occur in 2014. NaviStone shall not have any obligation to close until it confirms such readiness and completes its review of all due diligence in its sole and absolute discretion.

16. **Exclusivity.** Upon the execution of this Letter of Intent, this letter shall be a binding agreement and will remain in effect for a period of 180 days (the "Exclusive Arrangement Date"). Prior to the Exclusive Arrangement Date, the General Partner agrees not to market or discuss the acquisition of interest and/or LIHTC in the Partnership or the tax credit equity syndication of the Partnership or the Project without the prior written approval of the Limited Partner. The Exclusive Arrangement Date shall terminate at any time should NaviStone notify the General Partner in writing that it does not intend to proceed with this investment. At the end of the Exclusive Arrangement Date, NaviStone and the General Partner will be mutually released from the terms and conditions contained in this letter and thereafter will have no continuing obligation to each other.

17. **Other Matters.** The Limited Partner has predicated this proposal on the financial projections it has prepared which are based upon the financial and other information furnished by the General Partner or its agents, as well as certain assumptions of the federal income tax consequences of this transaction. Changes in tax regulations or other assumptions could affect the financial projections and thus, the amount and terms of the Capital Contribution.

Sincerely,

NaviStone Partners, LLC

By: 

Name: _____

Title: **Alan F. Scott**

Manager



October 31, 2013

George Currall
The NRP Group LLC
5309 Transportation Blvd.
Cleveland, OH 44125

Re: Emerald Village

Dear George,

CommunityBank of Texas (the "Bank") is pleased to provide the following term sheet for construction and permanent financing to Emerald Village Ltd. (the "Borrower") for the development of Emerald Village, a 144-unit LIHTC project to be built in San Antonio, Texas. The proposed terms and conditions are as follows:

Summary of Terms

- Borrower:** Emerald Village Ltd.
- Guaranty:** NRP Holdings LLC will provide construction loan guarantees and NRP Contractors will provide completion guarantees. The permanent loan will be non-recourse except as to "bad-boy" carve outs
- Project:** Emerald Village
- Credit Facilities:**
- A) Construction loan of up to \$15,350,000
 - Priced at a variable rate of Prime Floating subject to a minimum all-in rate of 5.50% (floor of 5.50%)
 - 36-month construction loan term
 - one 6-month extension subject to 1) completion of project, 2) project sources and uses being balanced, 3) receipt of required tax credit equity payments, 4) No event of default has occurred or potential for default to occur, 5) 85% occupancy and 6) No material adverse change in the financial condition of the Project, Borrower and Guarantor(s).
 - Interest only due monthly during construction period
 - Total construction loan period including extension is 42-months

 - B) Permanent loan of approximately \$5,100,000 at an assumed underwriting rate of interest of 6.25%:

- Permanent loan rate to be locked at no later than construction loan closing of 36-month construction loan. The permanent loan rate would be 6.25% locked today.
- 18-year term upon conversion to permanent status based on 90% occupancy for 90 days and a 1.20:1 debt service coverage.
- Zero pre-payment penalty – you may pre-pay the construction or permanent loan off at any time without penalty.
- Principal and interest due monthly during permanent period based on a 30-year amortization; balloon payment due at maturity
- Replacement reserves to be \$250 per unit per year with agreed upon increases for future years. Operating deficit and other reserve requirements subject to Bank review and approval. It is expected that these reserve requirements will mirror the equity LOI.

Note: Construction draws will be processed through the Bank, Title Company, and with approval of a 3rd party construction engineering firm hired by or acceptable to the Bank.

Loan-to-value: 1) Actual combined loan amount will be based on LTV not to exceed 80% during construction period, based on rent-restricted value plus value of the tax credits; 2) LTV not to exceed 80% during permanent period, based on stabilized rent-restricted value. Appraisal report will be in form and substance acceptable to the Bank.

Collateral:

- 1st lien deed of trust and assignment of leases and rents on the subject property
- UCC filing on furniture, fixtures, and equipment
- Assignment of Tax Credits
- Security interest in operating and replacement reserve funds
- Assignment and subordination of deferred developer fee and other management fees collected by general partner or a related entity.
- Assignment and subordination of management, construction, architectural contracts, etc.

Fees:

Origination fee of 1.00% of the construction loan (payable at construction loan closing), a 0.25% fee for the extension (payable upon exercise) and a 1.00% fee for the permanent loan (payable at construction loan closing). Borrower will also pay for all reasonable costs incurred by the Bank in connection with the loans including, but not limited to, legal fees and expenses, appraisal/survey fees, title insurance premiums and search fees, UCC searches, environmental assessment fees, and inspecting architect fees, whether or not the facilities contemplated herein are funded. This obligation will survive whether or not the loans are approved.

Reporting Requirements: Include but are not limited to:

- Annual audited financial statements of Borrower
- Annual financial statements of Guarantors
- Annual evidence of tax credit compliance
- Monthly operating statements on the property once construction is complete
- Quarterly operating statements on the property during the permanent loan period

Summary of Conditions

This proposal is subject to all of the following conditions being met prior to construction closing:

- Tax Credit Allocation:** Receipt of an annual allocation of Low-Income Housing Tax Credits from the Texas Department of Housing & Community Affairs (TDHCA) in a minimum amount of \$1,500,000.
- Tax Credit Equity:** Tax credit investor and equity terms (including price and pay-in schedule) subject to Bank approval.
- Developer Fee:** Timing of payment of developer profit to be mutually agreed upon between Bank and Borrower. It is expected that the developer fee payment will mirror the developer fee payment schedule negotiated in the equity LOI.
- Project Budget:** The Bank's current understanding of the project budget is based on the budget and pro forma numbers provided by Borrower. The Bank acknowledges that this project budget is subject to change.
- However, significant changes to the budget that materially affect the project may result in changes to the terms and conditions proposed herein.
- Other Conditions:** Receipt and approval of those items listed in the Due Diligence Checklist

Please note that in providing this proposal for submission to TDHCA as part of the applications process to get an award of 9% Housing Tax Credits, the Bank acknowledges the following:

- 1) Bank has reviewed the sponsor's application for the proposed development and finds that the project is feasible for financing by the Bank. Please also see attached exhibit regarding the 15-year pro forma that the Bank finds acceptable which demonstrates a debt service coverage of no less than 1.15x for 15 years.
- 2) Bank has reviewed the creditworthiness and quality of the principals involved and has determined that the principals are acceptable to the Bank.
- 3) Bank has reviewed in substance, the creditworthiness and quality of the financial strength by the guarantors as noted above and finds such guarantors acceptable as part of the financing outlined in this proposal.

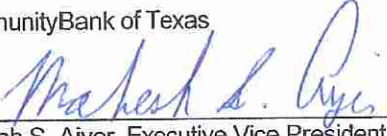
In summary, the Bank's assessment find both the Development and Principals are acceptable.

This discussion letter does not represent a commitment by the Bank for the proposed financing, nor does it define all the terms and conditions of loan documents, but is a framework upon which a loan request may be submitted and considered. Issuance of a commitment by the Bank is subject to the approval of the loan request under the Bank's internal approval process, which includes, but is not limited to, a review of the Borrower's then current financial condition and review and approval of all third party reports, in addition to completion of loan documents in form and substance acceptable to the Bank.

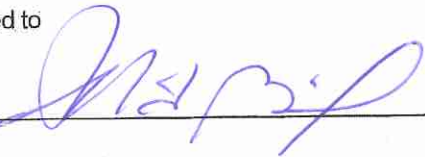
If you should have any questions concerning these terms and conditions, please feel free to call me at (832) 214-3129. George, thank you for giving us the opportunity to consider financing for this project.

Sincerely,

CommunityBank of Texas

By: 
Mahesh S. Aiyer, Executive Vice President

Agreed to

By: 

15 Year Rental Housing Operating Proforma

All Programs Must Complete the following:

The pro forma should be based on the operating income and expense information for the base year (first year of stabilized occupancy using today's best estimates of rental income and expenses), and principal and interest debt service. The Department currently considers an annual growth rate of 2% for income and 3% for expenses to be reasonably conservative estimates. Written explanation for any deviations from these growth rates or for assumptions other than straight-line growth made during the proforma period should be attached to this exhibit.

INCOME	LEASE-UP	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15
POTENTIAL GROSS ANNUAL RENTAL INCOME	\$1,138,740	\$1,138,740	\$1,161,515	\$1,184,745	\$1,208,440	\$1,232,609	\$1,360,900	\$1,502,543
Secondary Income	17,280	17,280.00	17,625.60	17,978.11	18,337.67	18,704.43	20,651.20	22,800.59
POTENTIAL GROSS ANNUAL INCOME	\$1,156,020	\$1,156,020	\$1,179,140	\$1,202,723	\$1,226,778	\$1,251,313	\$1,381,551	\$1,525,344
Provision for Vacancy & Collection Loss	(86,702)	\$ 86,701.50	\$ 88,435.53	\$ 90,204.24	\$ 92,008.33	\$ 93,848.49	\$ 103,616.32	\$ 114,460.79
Rental Concessions	0	0	0	0	0	0	0	0
EFFECTIVE GROSS ANNUAL INCOME	\$1,069,319	\$1,069,319	\$1,090,705	\$1,112,519	\$1,134,769	\$1,157,465	\$1,277,935	\$1,410,943
EXPENSES								
General & Administrative Expenses	\$ 71,814.00	\$ 71,814.00	\$ 73,968	\$ 76,187	\$ 78,473	\$ 80,827	\$ 93,701	\$ 108,625
Management Fee	53,466	\$ 53,466.00	\$ 55,069.98	\$ 56,722.08	\$ 58,423.74	\$ 60,176.45	\$ 69,761.00	\$ 80,872.12
Payroll, Payroll Tax & Employee Benefits	165,600	\$ 165,600.00	\$ 170,568.00	\$ 175,685.04	\$ 180,955.59	\$ 186,384.76	\$ 216,070.44	\$ 250,484.86
Repairs & Maintenance	90,000	\$ 90,000.00	\$ 92,700.00	\$ 95,481.00	\$ 98,345.43	\$ 101,295.79	\$ 117,429.59	\$ 136,133.08
Electric & Gas Utilities	23,800	\$ 23,800.00	\$ 24,514.00	\$ 25,249.42	\$ 26,006.90	\$ 26,787.11	\$ 31,053.60	\$ 35,999.64
Water, Sewer & Trash Utilities	41,000	\$ 41,000.00	\$ 42,230.00	\$ 43,496.90	\$ 44,801.81	\$ 46,145.86	\$ 53,495.70	\$ 62,016.18
Annual Property Insurance Premiums	28,800	\$ 28,800.00	\$ 29,664.00	\$ 30,553.92	\$ 31,470.54	\$ 32,414.65	\$ 37,577.47	\$ 43,562.58
Property Tax	75,600	\$ 75,600.00	\$ 77,868.00	\$ 80,204.04	\$ 82,610.16	\$ 85,088.47	\$ 98,640.85	\$ 114,351.78
Reserve for Replacements	36,000	\$ 36,000.00	\$ 37,080.00	\$ 38,192.40	\$ 39,338.17	\$ 40,518.32	\$ 46,971.83	\$ 54,453.23
Other Expenses:	30,960	\$ 30,960.00	\$ 31,888.80	\$ 32,845.46	\$ 33,830.83	\$ 34,845.75	\$ 40,395.78	\$ 46,829.78
TOTAL ANNUAL EXPENSES	\$617,040	\$617,040	\$635,551	\$654,618	\$674,256	\$694,484	\$805,097	\$933,328
NET OPERATING INCOME	\$452,279	\$452,279	\$455,154	\$457,901	\$460,513	\$462,981	\$472,837	\$477,615
DEBT SERVICE								
	\$376,819	\$376,819	\$376,819	\$376,819	\$376,819	\$376,819	\$376,819	\$376,819
Second Deed of Trust Annual Loan Payment								
Third Deed of Trust Annual Loan Payment								
Other Annual Required Payment:								
Other Annual Required Payment:								
NET CASH FLOW	\$75,460	\$75,460	\$78,335	\$81,082	\$83,694	\$86,162	\$96,018	\$100,796
Debt Coverage Ratio	1.20	1.20	1.21	1.22	1.22	1.23	1.25	1.27
Other (Describe)								
Other (Describe)								

By signing below I (we) are certifying that the above 15 Year pro forma has been reviewed and is acceptable. (Signature only required if using this pro forma for points under \$11.9(e)(1) relating to financial Feasibility)

Maresh S. Ayer
 Signature, Authorized Representative,
 Construction or Permanent Lender

10/31/13
 Date

Phone: (832) 214-3129
 Email: MAIyer@communitybankoftx.com

Maresh S. Ayer
 Printed Name

Emerald Village Ltd.

200 Concord Plaza Dr., Ste. 900 · San Antonio, TX 78216
office 210-487-7878 fax 210-487-7880

November 5, 2013

Texas Dept. of Housing and Community Affairs
221 East 11th St.
Austin, TX 78701

Re: Emerald Village - Deferred Developer Fee

To Whom It May Concern:

The purpose of this letter is to state that the undersigned is aware of and hereby acknowledges that \$775,023 of the Developer Fee on the above-referenced project shall be deferred.

The terms of the deferral shall be as follows: a 15-year term and loaned at zero percent (0%) interest. Payments shall be repaid from available cash flow with the balance of any outstanding principal due at the end of the term.

Sincerely,

Community Housing Resource Partners, Inc., Developer

By: 

Meghan Garza-Oswald
Executive Director

NRP Lone Star Development LLC, CoDeveloper

By: NRP Holdings LLC, its Member

By: NRP Investments Corp., its Non-Member Manager

By: _____

Alan F. Scott
Executive Vice President



City of San Antonio
Department of Planning & Community Development

March 19, 2014

Daniel B. Markson
Senior Vice President of Development
200 Concord Plaza, Suite 900
San Antonio, TX 78216

Re: Emerald Village – City of San Antonio Quality of Life Committee Recommendation

Dear Mr. Markson:

On March 18, 2014, a briefing on the Emerald Village multi-family rental development project was presented to the San Antonio City Council's Quality of Life Committee consisting of four City Council members.

The Quality of Life Committee voted to recommend to the City Council the appropriation of FY 2014 in HOME multi-family set aside funds in the amount not to exceed \$750,000.00 as gap financing for the Emerald Village development. Consideration by the full City Council for award will be held at 9:00 am on Thursday, April 3, 2014 at City Council chambers.

Should City Council award the multi-family set aside funds, the surplus cash loan will have a 1% interest rate, 30-yr amortization, and a maturity at the end of 18 years.

Sincerely,

John M. Dugan
Director

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action to approve a Housing Tax Credit Amendment for Gulf Coast Arms in Houston (#12252)

RECOMMENDED ACTION

WHEREAS, Gulf Coast Arms received an award of 9% Housing Tax Credits in 2012 to construct 160 multifamily units in Houston;

WHEREAS, the Development Owner is requesting approval for a correction/reduction of the site acreage from 12.202 acres to 9.7542, due to the original surveyor incorrectly including an easement and a public right-of-way in the original survey submitted at the time of application;

WHEREAS, the site acreage is decreased by 20.06%, which is more than a 10% decrease requiring Board approval under 10 TAC §10.405(a)(4)(G);

WHEREAS, the reduced acreage also increases the residential density by 25.09%, which is more than a 5% increase requiring Board approval under 10 TAC §10.405(a)(4)(F);

WHEREAS, the original “footprint” of the development and general location of the buildings remains unchanged; and,

WHEREAS, the correction to the site acreage and the changes in residential density do not negatively affect the Development, impact the viability of the transaction, or affect the amount of tax credits awarded;

NOW, therefore, it is hereby

RESOLVED, that the amendment of the Housing Tax Credit application for Gulf Coast Arms is approved as presented to this meeting and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

Applicant requests approval to correct the site acreage identified for this project in the original application for the development named above from 12.202 acres to 9.7542 acres.

According to the current surveyor, the property was originally platted as a 12.356 acre tract. The plat dedicated a 20-foot wide strip along the east side for the widening of Hirsch Road right-of-way. In addition, Creston Drive was dedicated as a 60-foot wide right-of-way. These two strips of land became street right-of-ways that were then, by virtue of the subdivision plat, owned by the public and are not private property. The previous survey submitted at application excluded the 20-foot wide strip for the Hirsch Road widening but included the Creston Road right-of-way. Creston Road should not have been a part of the survey because it is a dedicated right-of-way.

In addition, the survey submitted at application included a 50-foot easement encumbered by the Harris County Flood Control District. The easement is unusable for development and is not contiguous to the remaining property, and should also not have been part of the survey.

The correct acreage for the site is 9.7542 acres, as indicated in all the construction loan closing documents with the lender, equity party, and the city. The new surveyor has prepared an amendment to the original plat and provided an explanation of the discrepancy.

The correction results in a reduction in acreage of 20% and a technical increase in density of 25%. It could be argued that the density will not actually change since the portion of the site now excluded is unlikely to be developed beyond its current public use. The original "footprint" of the development and location of the buildings remains unchanged. The identification of the corrected acreage does not materially alter the development in a negative manner and would not have adversely affected the selection of the application for award.

Staff recommends approval of the amendment request.



Affordable
HOUSING GROUP

November 26, 2013

Texas Department of Housing & Community Affairs
Attn: Lucy Trevino
221 East 11th Street
Austin, TX 78701

RE: HTC#: 12252
Gulf Coast Arms Apartments
Amendment Request

Dear Ms. Trevino:

Gulf Coast Arms, Ltd. requests an amendment to Housing Tax Credit Application #12252. We have recently discovered that there is a discrepancy in the site acreage for the project.

The original amount of acreage included 12.356 acres. At the time of application, there should have been a 20' wide strip, a 60' right-of-way, and a 50' easement removed by our engaged surveyor (Terra Surveying). Terra Surveying included a 20' wide strip and did not remove the 60' wide strip on the plat. This extraction reduced the total acreage to 12.202 acres (which was the amount acreage submitted at full application). The 60' wide strip located on Creston Drive should have been removed because it is part of a public right-of-way. The surveyor also included a 50' easement by the Harris County Flood Control District that should not have been included as well.

The correct amount of acreage for the project is 9.7542 acres (as noted in all of the construction loan closing documents with our lender, equity partner, and the city). Our new Surveyor, Precision Land Surveying, Inc., has prepared an amendment to the plat and provided an explanation of the discrepancy.

We hereby request a change in the amount of acreage for the project from 12.202 acres to 9.7542 acres. Along with our request letter, please find enclosed the following documents for your review:



Affordable
HOUSING GROUP

1. Surveyor Explanation Letter
2. Existing 12.202 acre Plat
3. New 9.7542 acre Plat
4. Check in the amount of \$2,500.00

If you should have any questions or need additional information, you may contact me at 713-443-1134 or via e-mail at leezieben@affordablehousinggroup.com. We look forward to your response in this matter.

Thank you,

A handwritten signature in black ink, appearing to read "Lee Zieben".

Lee Zieben
Development Owner
Gulf Coast Arms, Ltd.

Precision Land Surveying, Inc.
901 Rhode Place, Suite 100
Houston, Texas 77019
(713) 862-8862 Voice
(713) 862-7721 Fax

November 19, 2013

Lee Zieben
The Affordable Housing Group

Dear Mr. Zieben:

This letter is to document the discrepancy between the previous survey prepared by Terra Surveying Company, Inc., and the survey prepared by this firm. The Terra survey is of a 12.2002-acre tract and the survey and subdivision plat prepared by us is of 9.7542 acres.

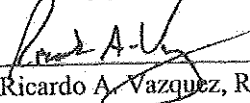
This property was originally platted as a 12.356-acre tract. The plat dedicated a 20-foot wide strip along the east side for the widening of the Hirsch Road right-of-way. In addition, Creston Drive was dedicated as a 60-foot wide right-of-way. These two strips of land became street right-of-ways that were then, by virtue of the subdivision plat, owned by the public and are not private property.

The survey prepared by Terra of 12.202 acres excluded the 20-foot wide strip for the Hirsch Road widening but included the Creston Road right-of-way. Creston Road should not have been a part of the survey because it is dedicated right-of-way. I spoke to Mr George Collison, the surveyor that prepared the Terra survey, to ask him why Creston Road was included in the property boundary. He told me he raised that question at the time they prepared the survey but was told it needed to be included because the title commitment at the time included it. He told me he would have not have included that portion but had to in order to agree with the property described in the title commitment.

The 9.7542- acre survey we prepared excluded the Creston Road portion because it is a public street. We also did not include the 50-foot wide portion along the south side of Creston Road because it is encumbered by a 50-foot wide Harris County Flood Control District Easement that make it unusable for development and is not contiguous to the remaining property. The 9.7542-acre survey does include a 113-square foot tract at the intersection of Creston Drive with Hirsch Road that has been dedicated to the public by the subsequent recorded re-plat.

If you have any questions concerning this please do not hesitate to contact me.

Sincerely yours,



Ricardo A. Vazquez, R.P.L.S.
President



Precision Land Surveying, Inc.
4914 Dickson Street, Suite 'B'
Houston, Texas 77007
(713) 862-8862 Voice
(713) 862-7721 Fax

**METES AND BOUNDS DESCRIPTION
OF A TRACT OF LAND
IN THE J.T. HARRELL SURVEY, ABSTRACT NO. 329
HARRIS COUNTY, TEXAS**

Being a tract of land in the J.T. Harrell Survey, Abstract No. 329, Harris County, Texas, and being a portion of Gulf Coast Arms Apartments, per plat recorded in Volume 168, Page 26 of the Harris County Map Records, and all of Gulf Coast Arms Apartments Partial Replat, per plat recorded under Film Code No. 360086 of the Harris County Map Records, and being more particularly described by metes and bounds as follows with all bearings based on the Texas State Plain Coordinate System, South Central Zone No. 4204:

BEGINNING at a ½ inch iron rod with a cap set marking the intersection of the north right-of-way line of Creston Drive, 60.00 feet wide, with the west right-of-way line of Hirsch Road, 80.00 feet wide, per said Gulf Coast plat, and the easterly southeast corner of the herein described tract;

THENCE along the north right-of-way line of said Creston Drive, S 87° 28' 04" W (plat call N 86° 56' E,) 955.64 feet to a 'X' in concrete found marking the northwest corner Creston Drive, the northwest corner of Sayers Street, 60.00 feet wide per said Gulf Coast plat, the northeast corner of said Partial Replat, and an "ell" corner of the herein described tract;

THENCE along the west right-of-way line of said Sayers Street and the east line of said Partial Replat, S 02° 27' 56" E (deed call SOUTH,) 110.00 feet to a ½ inch iron rod set marking a point in the north line of a Houston, Lighting and Power Company fee strip, as described in deed recorded in Volume 802, Page 311 of the Harris County Deed Records and the south line of said Gulf Coast plat and the southerly southeast corner of the herein described tract;

THENCE along the north line of said fee strip and the south line of said Gulf Coast plat, S 87° 28' 04" W (plat call N 89° 56' E,) 520.00 feet to a one inch iron pipe found marking the southeast corner of a tract of land sold to the City of Houston, as described in deed recorded in Volume 1823, Page 498 of the Harris County Deed Records, and the southwest corner of said Gulf Coast plat and the herein described tract;

THENCE along the east line of said City of Houston tract, N 02° 27' 56" W (plat call NORTH,) 356.67 feet to a ¾ inch iron pipe found marking the monumented northeast corner of said City of Houston tract, a point in the south line of a tract sold to Missouri Pacific Railroad Company, as described in deed recorded in Volume 3423, Page 684 of the Harris County Deed Records, and the monumented northwest corner of said Gulf Coast plat and the herein described tract;

THENCE along the south line of said Railroad Company tract and the north line of said Gulf Coast plat, N 87° 28' 04" E (plat call N 89° 56' E,) 1490.64 feet to a 5/8 inch iron rod found marking a point in the west right-of-way of said Hirsch Road and the northeast corner of the herein described tract;

THENCE along the west right-of-way line of said Hirsch Road, S 02° 32' 31" E, 246.70 feet to the **POINT OF BEGINNING** and containing 9.7542 acres, or 424,894 square feet, of land.



Ricardo A. Vazquez
R.P.L.S. No. 4902

Nov. 29, 2013
Date lv.

This survey was prepared in conjunction with a land title survey performed in February 2013.



Gulf Coast Arms

12252, CMTS ID 4880

Amendment Request - Decrease in Acreage

Acreage before	12.202	
Acreage after	<u>9.7542</u>	
Decrease in Acreage	<u>2.4478</u>	
% Decrease in Acreage		<u>20.06%</u>
# of Units	<u>192</u>	
Residential Density Before	15.7351	
Residential Density After	<u>19.6838</u>	
Increase in Residential Density	<u>3.9487</u>	
% Increase in Residential Density		<u>25.09%</u>

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action to approve a Housing Tax Credit/Bond application amendment for Stonehaven Apartment Homes in Houston (#060613/#060613B)

RECOMMENDED ACTION

WHEREAS, Stonehaven Apartment Homes received an award of 4% Housing Tax Credits in 2006 to construct 192 multifamily units in Houston;

WHEREAS, the Development Owner is requesting approval for a reduction of the site acreage from 9.058 acres to 7.609 acres, due to the condemnation and involuntarily purchase of 1.453 acres of green strip frontage land by the Texas Department of Transportation to expand U.S. Highway 290;

WHEREAS, the reduced acreage increases the residential density by 19.04%, more than a 5% increase and requires Board approval under 10 TAC, §10.405(a)(4)(F); and,

WHEREAS, the reduced acreage and changes in residential density do not negatively affect the Development or impact the viability of the transaction;

NOW, therefore, it is hereby

RESOLVED, that the amendment of the Housing Tax Credit application for Stonehaven Apartment Homes is approved as presented to this meeting and the Executive Director and his designees are each authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

BACKGROUND

On November 1, 2013, the Development Owner requested an amendment to the site acreage and legal description of the previously approved HTC application for Stonehaven Apartment Homes. The amendment is necessary due to the involuntary condemnation and purchase by the Texas

Department of Transportation of 1.449 acres of the development's green strip along the frontage road of U.S. Highway 290.

The purchase of the portion of property and the expansion of the highway are necessary to improve public safety and circulation of traffic in the area.

The purchase resulted in a 16% decrease in site acreage. Although the reduced acreage is more than a 10% decrease, since the change is required by local government it is not considered a material alteration pursuant to 10 TAC §10.405(a)(4)(G). However, the reduced acreage does increase the residential density by 19.04%, from 21.2 to 25.23 units/acre, which is more than the 5% increase and is considered a material alteration requiring Board approval under 10 TAC §10.405(a)(4)(F).

The original "footprint" of the development remains unchanged and the reduced acreage and changes in residential density do not materially alter the development in a negative manner since the land being removed is being acquired for right of way and is not likely to be developed with housing for the foreseeable future. Staff has further confirmed that the change in acreage would not have adversely affected the selection of the application.

Staff recommends approval of the amendment request.

15301 Stonehaven Apartments

16000 Barkers Point Lane, Suite 225

Houston, Texas 77079

(713) 493-0700 / Fax (713) 493-0702

Lucy Trevino, CPA
Senior Asset Manager
Texas Department of Housing and Community Affairs
221 E. 11th Street | Austin, TX 78701
Office: 512.475.2550
Fax: 512.475.3359

October 30, 2013

Job Description: Stonehaven Apartment Homes

RE: Letter of Request for Stonehaven - LURA Amendment to change Legal Description

As the owner of Stonehaven Apartment Homes I am requesting a LURA amendment to change the legal description. There was no negative impact on the property or to the residences. The reason for the change is that TXDOT purchased the green strip of frontage land to expand Hwy. US 290. This action was involuntary on our part. The amount of property that TXDOT purchased was 1.453 acres (63,279 square feet).

Thank You,


Kenneth G Cash, Manager
15301 Stonehaven Apartments I, LLC
Sole General Partner



January 18, 2012
AVO 28564

CERTIFIED MAIL
7011 1150 0000 4566 3341

15301 Stonehaven Apartments, LP
Attn: Mr. Kenneth G. Cash
16000 Barkers Point Ln., Ste. 225
Houston, TX 77079

County: Harris
Federal Project No.: N/A
ROW CSJ: 0050-09-083

Parcel: 617
Highway: US 290
Limits: West of FM 529
to East of West Little York Road (Segment 6A)

Dear Mr. Cash:

To improve public safety and the circulation of traffic in your area, the Texas Department of Transportation ("TxDOT") is working to improve US 290 West of FM 529 to East of West Little York Road (Segment 6A). As Mr. Larry W. Blackburn, P.E., TxDOT, informed you, the project will require a portion of 15301 Stonehaven Apartments, LP's property located at 15301 Northwest Freeway. Halff Associates, Inc. has been hired by TxDOT to acquire the right-of-way needed for the Project. A copy of the subject parcel's legal description & plat are enclosed for your reference.

As explained in the enclosed "State Purchase of Right of Way" brochure, you are entitled to just compensation for your property. Under law, compensation may be determined by a detailed appraisal of your property. At this time, we are ready to proceed with the appraisal process of that portion of your property needed for the highway improvement. In accordance with the Uniform Relocation Assistance and Real Property Acquisition Policy Act of 1970, owners of real property or their designated representatives shall be given an opportunity to accompany the appraiser during the inspection of the property. You will be or have already been contacted by a state certified appraiser qualified by TxDOT to determine the fair market value of your property.

You may be entitled to additional payments and services under the State's Relocation Assistance Program. It is emphasized, however, that any benefits to which you may be entitled under this program will be handled entirely separate from and in addition to this transaction. We have enclosed a brochure entitled "*Relocation Assistance*" which will inform you of eligibility requirements, payments and services which are available.

Pursuant to state law, please find enclosed the Texas Landowner's Bill of Rights.

If you have any questions or comments, you may call me on my direct line at (713) 523-7161, Ext. 16299 or by email at gleuba@halff.com. Thank you for your assistance in this matter.

HALFF ASSOCIATES, INC.

1501 NORTH BOWLING GREEN
HOUSTON, TEXAS 77002

TEL: (713) 523-6299
FAX: (713) 523-6000

WWW.HALFF.COM



Sincerely,

HALFF ASSOCIATES, INC.

A handwritten signature in cursive script, appearing to read "Gary Leuba".

Gary Leuba, SR/WA
Right-of-Way Specialist

Enclosures: State Purchase of Right of Way
Relocation Assistance
Texas Landowner's Bill of Rights
Copy of Parcel Survey

cc: TxDOT East Region ROW

EXHIBIT _____

County: Harris
Highway: US Highway 290
Project Limits: West of F.M. 529 to East of West Little York Road
RCSJ No. : 0500-09-083

PROPERTY DESCRIPTION FOR PARCEL NO. 617

BEING a 1.453 acre (63,279 square feet) parcel of land located in the T. Hogan Survey, Abstract Number 326, Harris County, Texas, and being out of a called 9.0580-acre tract of land conveyed from N W Freeway/Sam Houston Tollway 9.1 J.V. to 15301 Stonehaven Apartments, LP by deed dated September 1, 2006 as recorded under County Clerk's File No. 20060051083, Film Code No. 028-55-1343 of the Official Public Records of Real Property of Harris County, Texas, and also being a portion of Restricted Reserve "H" of Brookhollow West Section 5, a subdivision plat recorded in Volume 326, Page 101 of the Map Records of Harris County, Texas; said 1.453 acre parcel being more particularly described as follows:

COMMENCING at a set 5/8-inch iron rod with cap stamped "Cobb, Fendley & Associates" for the southwest corner of said 9.0580-acre tract and the most easterly corner of a called 23.666-acre tract of land conveyed to The Attayl Family Limited Partnership by deed recorded under County Clerk's File No. X521265, Film Code No. 584-17-1316 of the Official Public Records of Real Property of Harris County, Texas and of Northwest 8 Business Center, a subdivision plat recorded under Film Code Number 576232 of the Map Records of Harris County, Texas, and being the northwest corner of the residue of a called 13.3521-acre tract of land conveyed to the Metropolitan Transit Authority of Harris County, Texas by deed recorded under File Number K431015, Film Code Number 040-64-2372 of the Official Public Records of Real Property of Harris County, Texas, and being the most northerly corner of West Little York Park and Ride Reserve "A", a subdivision plat recorded in Volume 339, Page 4 of the Map Records of Harris County, Texas;

North 00° 57' 06" West, with the easterly line of said 23.666-acre tract and the westerly line of said 9.0580-acre tract, a distance of 279.54 feet to an angle point;

EXHIBIT _____

North $02^{\circ} 05' 05''$ West, continuing with the easterly line of said 23.666-acre tract and the westerly line of said 9.0580-acre tract, passing at 149.03 feet a set 5/8-inch iron rod with TxDOT aluminum disk located in the proposed southwesterly right-of-way line of US Highway 290 (width varies) for an angle point in said proposed southwesterly right-of-way line of US Highway 290 and continuing with the easterly line of said 23.666-acre tract, the westerly line of said 9.0580-acre tract, and said proposed southwesterly right-of-way line of US Highway 290 for a total distance of 159.21 feet to a set 5/8-inch iron rod with TxDOT aluminum disk located in the proposed southwesterly right-of-way line of US Highway 290 (width varies), for an angle point in said proposed southwesterly right-of-way line of US Highway 290, the southwest corner of the parcel herein described and the POINT OF BEGINNING having surface coordinates of $N = 13,882,446.39$ and $E = 3,060,947.30$, (all bearings and coordinates are based on the Texas Coordinate System, South Central Zone, NAD83, 1993 adjustment; all distances and coordinates shown are surface and may be converted to grid by dividing by a combined adjustment factor of 1.00013;**

- 1) THENCE, North $02^{\circ} 05' 05''$ West, continuing with the easterly line of said 23.666-acre tract and the westerly line of said 9.0580-acre tract a distance of 97.05 feet to a found 5/8-inch iron rod located in the existing southwesterly right-of-way line of US Highway 290 (width varies) for the northwest corner of said 9.0580-acre tract and said parcel herein described and the northeast corner of said 23.666-acre tract, from which a found 3/4-inch iron pipe bears South $18^{\circ} 21' 50''$ West, 0.22 feet;;
- 2) THENCE, South $64^{\circ} 40' 43''$ East, with said existing southwesterly right-of-way line of US Highway 290 and the northerly line of said 9.0580-acre tract, a distance of 412.37 feet to a point for the beginning of a tangent curve to the left;
- 3) THENCE, in a southeasterly direction, continuing with said existing southwesterly right-of-way line of US Highway 290, and with said curve to the left whose radius is 1,936.86 feet and whose central angle is $05^{\circ} 42' 38''$ (chord bears South $67^{\circ} 32' 02''$ East, a distance of 192.96 feet) for a curve length of 193.04 feet to a set 5/8-inch iron rod with TxDOT aluminum disk for an angle point;
- 4) THENCE, South $69^{\circ} 56' 01''$ East, continuing with said existing southwesterly right-of-way line of US Highway 290, a distance of 15.68 feet to a found 5/8-inch iron rod with TxDOT aluminum disk for an angle point;
- 5) THENCE, South $67^{\circ} 41' 06''$ East, continuing with said existing southwesterly right-of-way line of US Highway 290, a distance of 219.60 feet to an angle point;

EXHIBIT _____

- 6) THENCE, South 21°13' 45" East, continuing with said existing southwesterly right-of-way line of US Highway 290, passing at 13.97 feet a point for the northwest corner of the residue of said 13.3521-acre tract, also an angle point in said existing southwesterly right-of-way line, continuing along the easterly line of said 9.0580-acre tract and the westerly line of the residue of said 13.3521-acre tract for a total distance of 20.62 feet to a one-inch iron pipe found for the most easterly northeast corner of said 9.0580-acre tract and of said parcel herein described;
- 7) THENCE, South 25° 20' 32" West (called South 25° 19' 24" West), continuing with the easterly line of said 9.0580-acre tract and the westerly line of the residue of said 13.3521-acre tract, a distance of 60.54 feet to a set 5/8-inch iron rod with TxDOT aluminum disk for an angle point located in the proposed southwesterly right-of-way line of US Highway 290 for the southeast corner of said parcel herein described;**
- 8) THENCE, North 67° 22' 55" West, with said proposed southwesterly right-of-way line of US Highway 290, at 78.16 feet passing a set 5/8-inch iron rod with TxDOT aluminum disk stamped "ADL", at 193.58 feet passing a set 5/8-inch iron rod with TxDOT aluminum disk for Baseline Station 2520+00 at 260.59 feet right of the baseline, continuing for a total distance of 374.17 feet to a set 5/8-inch iron rod with TxDOT aluminum disk stamped "ADL" for the beginning of a tangent curve to the right;**
- 9) THENCE, in a northwesterly direction, continuing with said proposed southwesterly right-of-way line of US Highway 290 and with said curve to the right whose radius is 5,028.00 feet and whose central angle is 00° 48' 42" (chord bears North 66° 58' 34" West, a distance of 71.22 feet), at a curve length of 10.55 feet passing a set 5/8-inch iron rod with TxDOT aluminum disk stamped "ADL", continuing for a total curve length of 71.22 feet to a set "X" cut in concrete for a point of tangency;**
- 10) THENCE, North 66° 34' 13" West, continuing with said proposed southwesterly right-of-way line of US Highway 290, a distance of 273.12 feet to a set 5/8-inch iron rod with TxDOT aluminum disk for the beginning of a tangent curve to the left;**

EXHIBIT _____

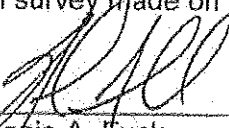
11) THENCE, in a northwesterly direction, continuing with said proposed southwesterly right-of-way line of US Highway 290, and with said curve to the left whose radius is 2,972.00 feet and whose central angle is $01^{\circ} 47' 00''$ (chord bears North $67^{\circ} 27' 43''$ West, a distance of 92.50 feet) for a curve length of 92.50 feet to the POINT OF BEGINNING and containing 1.453 acres (63,279 square feet) of land.

** The monument described and set in this call may be replaced with a TxDOT Type II right-of-way marker upon completion of the highway construction project under the supervision of a Registered Professional Land Surveyor, either employed or retained by TxDOT.

Access will be permitted to the remainder property abutting the highway facility.

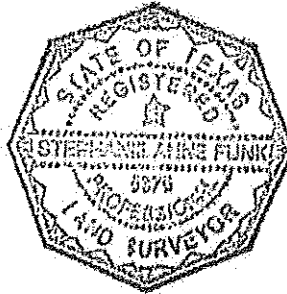
A parcel plat of even date was prepared in conjunction with this property description.

I, Stephanie A. Funk, a Registered Professional Land Surveyor, hereby certify that this legal description hereon and the accompanying plat of even survey date represent an actual survey made on the ground under my supervision.


Stephanie A. Funk
Registered Professional Land Surveyor
Texas Registration No. 5375
Cobb, Fendley & Associates, Inc.
13430 Northwest Freeway, Suite 1100
Houston, Texas 77040
(713) 462-3242

Date

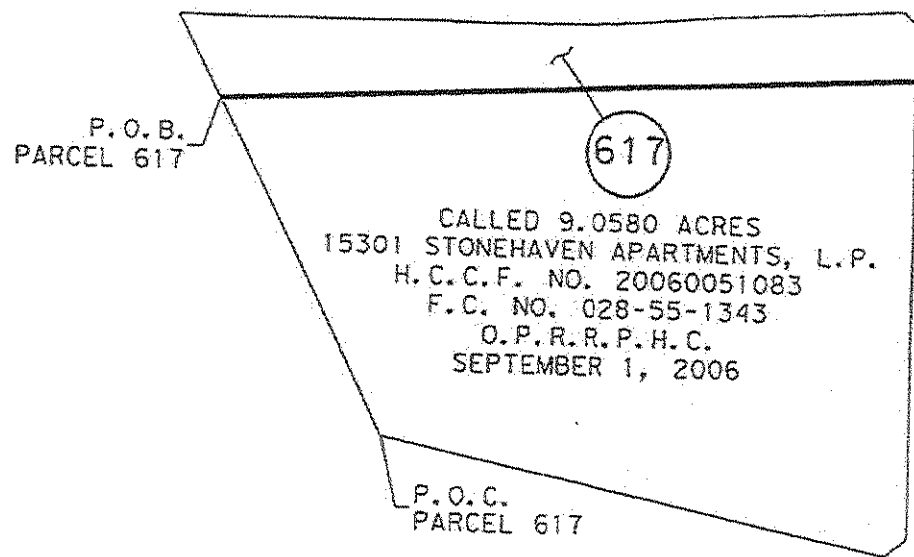
09-08-2011



T. HOGAN SURVEY, A-326



US HIGHWAY 290
(R.O.W. WIDTH VARIES)



EXISTING ACREAGE	TAKING AC. (S.F.)	REMAINDER ACREAGE	
		LEFT	RIGHT
9.0580 AC.	1.453 AC. (63,279 S.F.)		7.605 AC.

R.O.W. DEEDS - US 290
AMERADA HESS CORPORATION - H.C.C.F. NO. L242647, O.P.R.R.P.H.C.
R. J. KLEIMAN, ET AL - VOL. 4866, PG. 591, D.R.H.C.
BROOKHOLLOW OF HOUSTON, INC. - H.C.C.F. NO. K080449, O.P.R.R.P.H.C.
BROOKHOLLOW OF HOUSTON, INC. - H.C.C.F. NO. L157019, O.P.R.R.P.H.C.

CobbFendley
13430 Northwest Freeway, Suite 1100
Houston, Texas 77040
713.462.3242 | fax 713.462.3262 | www.cobbfendley.com

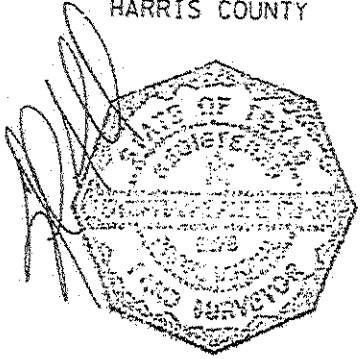
PARCEL PLAT
SHOWING
PARCEL 617
U.S. 290 EAST
HARRIS COUNTY
R.O.W. CSJ: 0050-09-083
DATED: SEPTEMBER, 2011
PAGE 5 OF 8 SCALE: 1"=50'

GENERAL NOTES:

1. ALL HORIZONTAL COORDINATES ARE REFERENCED TO THE TEXAS COORDINATE SYSTEM, NORTH AMERICAN DATUM OF 1983 (1993 ADJUSTMENT), SOUTH CENTRAL ZONE, TEXAS DEPARTMENT OF TRANSPORTATION (TXDOT) MONUMENTS L1020202, N1020248, N1020238, N1020128, N1020327 AND N1020247 WERE HELD FIXED USING THEIR PUBLISHED HORIZONTAL VALUES. THE COORDINATE POSITION FOR ALL POINTS IS BASED ON GPS SURVEYS MEETING THE STANDARDS OF ACCURACY SET FORTH IN THE FEDERAL GEODETIC CONTROL COMMITTEE PUBLICATION ENTITLED GEOMETRIC GEODETIC ACCURACY STANDARDS AND SPECIFICATIONS FOR USING GPS RELATIVE POSITIONING TECHNIQUES, REPRINTED WITH CORRECTIONS AUGUST 1, 1989.
2. ALL DISTANCES AND COORDINATES SHOWN ARE SURFACE AND MAY BE CONVERTED TO GRID BY DIVIDING BY A COMBINED ADJUSTMENT FACTOR OF 1.00013.
3. ABSTRACTING AND DEED RESEARCH WAS PERFORMED BY POSTLE PROPERTY SERVICES INC. FROM JUNE, 2006 TO AUGUST, 2011.
4. FIELD INFORMATION SHOWN HEREON IS BASED ON AN "ON-THE-GROUND" SURVEY PERFORMED BY COBB, FENDLEY, & ASSOCIATES, INC. FROM JUNE, 2006 TO DECEMBER, 2010.
5. ** INDICATES THE MONUMENT DESCRIBED AND SET MAY BE REPLACED WITH A TXDOT TYPE II RIGHT-OF-WAY MARKER UPON THE COMPLETION OF THE HIGHWAY CONSTRUCTION PROJECT, UNDER THE SUPERVISION OF A REGISTERED PROFESSIONAL LAND SURVEYOR, EITHER EMPLOYED OR RETAINED BY TXDOT.
6. A PROPERTY DESCRIPTION OF EVEN DATE WAS PREPARED IN CONJUNCTION WITH THIS PARCEL PLAT.
7. PROPOSED RIGHT-OF-WAY BASELINE MAY NOT MATCH PROPOSED CONSTRUCTION BASELINE OR AS-BUILT BASELINE DUE TO DESIGN CHANGES.

ABBREVIATIONS

- W.L.E. - WATER LINE EASEMENT
- U.E. - UTILITY EASEMENT
- W.M.E. - WATER METER EASEMENT
- B.L. - BUILDING LINE
- A.E. - AERIAL EASEMENT
- M.E. - MAINTAINENCE EASEMENT
- STM.E. - STORM SEWER EASEMENT
- S.S.E. - SANITARY SEWER EASEMENT
- O.P.R.R.P.H.C. - OFFICIAL PUBLIC RECORDS OF REAL PROPERTY OF HARRIS COUNTY
- D.R.H.C. - DEED RECORDS OF HARRIS COUNTY
- M.R.H.C. - MAP RECORDS OF HARRIS COUNTY
- H.C.C.F. NO. - HARRIS COUNTY CLERK'S FILE NUMBER
- F.C. NO. - FILM CODE NUMBER
- P.R.H.C. - PROBATE RECORDS OF HARRIS COUNTY



LEGEND

- ▬ PROPERTY LINE
- ┆ LAND HOOK
- FOUND MONUMENT AS DESCRIBED
- FOUND 5/8" IR W/TXDOT ALUM. DISK
- SET 5/8" IR W/TXDOT ALUM. DISK
- SET 5/8" IR WITH CAP STAMPED COBB, FENDLEY & ASSOCIATES
- ⑥ PARCEL NUMBER
- L1 PARCEL LINE NO.
- C1 PARCEL CURVE DATA NO.
- ⬡ EASEMENT DESCRIPTION
- ⬠ ADJOINER DESCRIPTION
- SURVEY LINE
- CITY LIMITS LINE
- ===== PROPOSED ROW LINE
- ||--- ACCESS DENIAL LINE (ADL)

CobbFendley
 13420 Northwest Freeway, Suite 1100
 Houston, Texas 77040
 713.462.3242 | fax 713.462.3262 | www.cobbfendley.com

PARCEL PLAT
 SHOWING
 PARCEL 617
 U.S. 290 EAST
 HARRIS COUNTY
 R.O.W. CSJ: 0050-09-083
 DATED : SEPTEMBER, 2011
 PAGE 6 OF 8 SCALE: 1"=50'

T. HOGAN SURVEY, A-326

0 50 100

Scale: 1" = 50'
 Fnd 5/8" IR
 Fnd 3/4" IP

S 64° 39' 23" E

$\Delta=05^{\circ}42'38"$

2515+00 PROPOSED BASELINE

R=1,936.86'

L=193.04'

CH=S67°32'02"E

US HIGHWAY 290
 (R.O.W. WIDTH VARIES) WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
 192.96'

INLET 15' WIDE STORM SEWER EASEMENT TRACT A: 0.2874 ACRES (12,517 SQ. FT.)
 H.C.C.F. NO. 1550190

S64°40'43"E ~ 412.37' F.C. NO. 109-71-1536 O.P.R.P.H.C.

MYRTLE
 CHRYSE
 JERSEY CITY
 LIMPKANG
 LIMPKANG
 LIMPKANG

EXISTING O.W.

40' B.Y.L.
 VOL. 326, PG. 101
 M.R.H.C.

6107

STA. 2517+48.45
 272.06' RT
 SET "X" IN

STONE HAVEN APTS
 PROPOSED R.O.W.

STA. 2514+75.48
 281.19' RT
 SET "X" IN CONCRETE

CONCRETE

CALLED 23.666 ACRES
 THE ATYAYI FAMILY
 LIMITED PARTNERSHIP
 H.C.C.F. NO. X521265
 F.C. NO. 584-17-1316
 O.P.R.R.P.H.C.
 APRIL 6, 2004

N66°34'13"W ~ 273.12'

$\Delta=00^{\circ}48'42"$
 R=5,028.00'

L=715.22'

CH=N66°58'34"W

WEST LITTLE YORK
 PARK AND RIDE
 RESERVE "A"
 VOL. 339, PG. 4
 H.C.M.R.

RESTRICTED
 RESERVE "H"
 BROOKHOLLOW
 WEST SECTION 5
 VOL. 325, PG. 101
 M.R.H.C.

CALLED 9.0580 ACRES
 15301 STONEHAVEN
 APARTMENTS, LP
 H.C.C.F. NO. 20060051083
 F.C. NO. 028-55-1343
 O.P.R.R.P.H.C.
 SEPTEMBER 1, 2006

BLOCK 1
 RESTRICTED RESERVE "A"
 NORTHWEST & BUSINESS CENTER
 F.C. 576232
 M.R.H.C.

P.O.B. - PARCEL 617
 N=13,882,446.39
 E=3,060,947.30
 STA. 2513+83.09
 285.71' RT

CALLLED 13.3521 ACRES
 METROPOLITAN TRANSIT
 AUTHORITY OF HARRIS
 COUNTY, TEXAS
 H.C.C.F. NO. K431015
 F.C. NO. 040-64-2372
 FEB. 28, 1986

BOUNDARY LINE AGREEMENT
 BETWEEN CCD-BARN I,
 LTD (23.666 AC) &
 NW FREEWAY/SAM HOUSTON
 TOLLWAY 9.1,
 J.V. (9.0580 AC)
 H.C.C.F. NO. 583-34-0604
 F.C. NO. 583-34-0604
 O.P.R.R.P.H.C.
 JUNE 23, 1999

HOUSTON LIGHTING &
 POWER COMPANY
 10' WIDE EASEMENT
 W/ 10' A.E.
 H.C.C.F. NO. D998661
 F.C. NO. 169-22-2311
 O.P.R.R.P.H.C.

N00°57'06"W ~ 279.54'
 P.O.B. PARCEL 617
 SET 3/8" IR WITH CAP STAMPED
 COBB, FENDLEY & ASSOCIATES

S37°16'58"W
 544.35'

Called=S52°44'59"E
 601.86'
 S52°43'53"E ~ 601.86'
 S02°26'12"E
 723.15'

MATCH LINE PAGE 8

CobbFendley

13430 Northwest Freeway, Suite 1100
 Houston, Texas 77040
 713.462.3242 | fax 713.462.3262 | www.cobbfendley.com

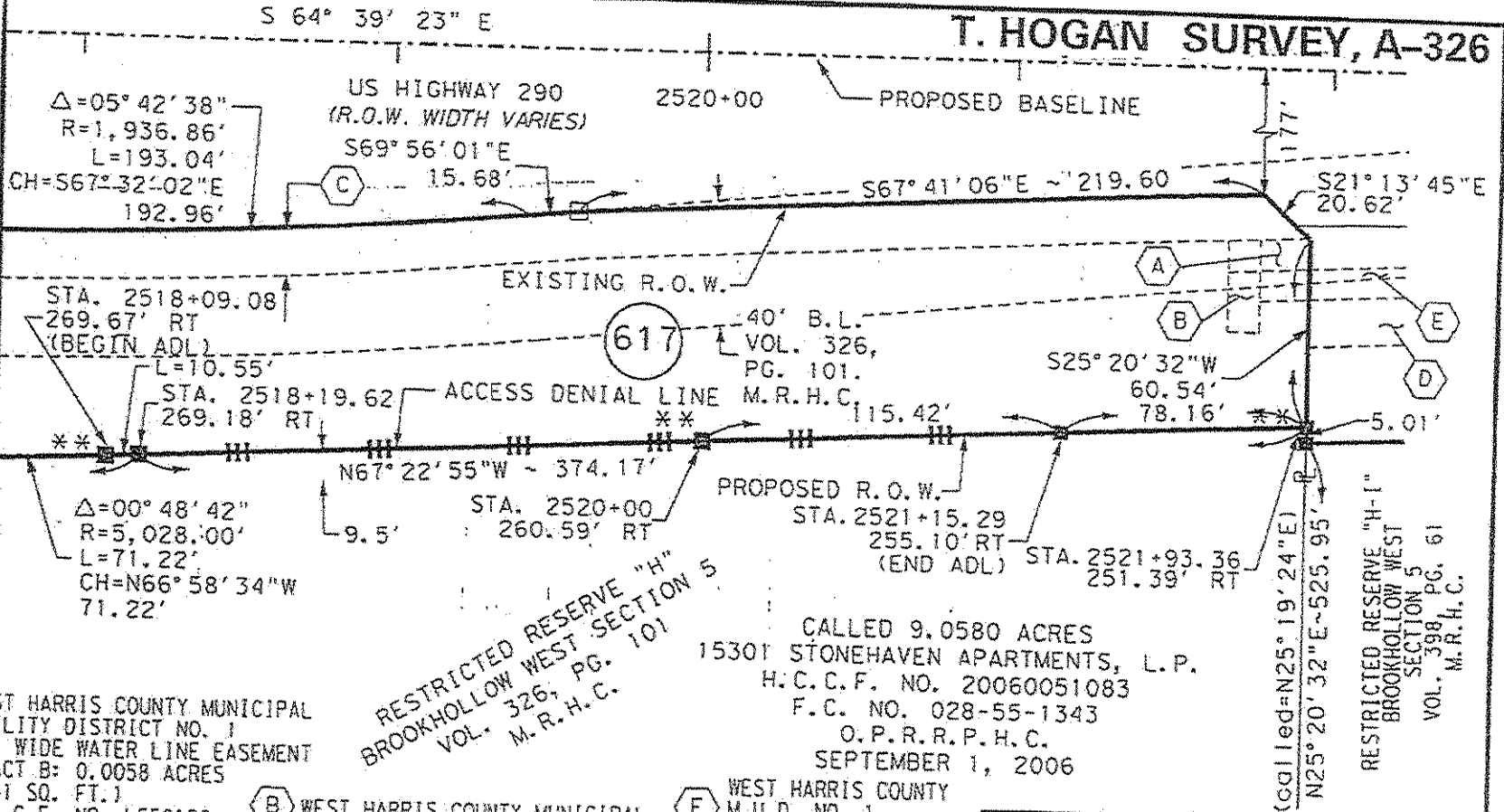
PARCEL PLAT
 SHOWING
 PARCEL 617

U.S. 290 EAST
 HARRIS COUNTY
 R.O.W. CSJ: 0050-09-083
 DATED: SEPTEMBER, 2011

PAGE 7 OF 8 SCALE: 1"=50'

MATCH LINE PAGE 7

T. HOGAN SURVEY, A-326



A WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
 10' WIDE WATER LINE EASEMENT
 TRACT B: 0.0058 ACRES
 (251 SQ. FT.)
 H.C.C.F. NO. L550190
 F.C. NO. 109-71-1536
 O.P.R.R.P.H.C.

B WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
 SANITARY SEWER EASEMENT
 TRACT B: 0.0080 ACRES
 (348 SQ. FT.)
 H.C.C.F. NO. L550190
 F.C. NO. 109-71-1536
 O.P.R.R.P.H.C.

C WEST HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
 15' WIDE STORM SEWER EASEMENT
 TRACT A: 0.2874 ACRES
 (12,517 SQ. FT.)
 H.C.C.F. NO. L550190
 F.C. NO. 109-71-1536
 O.P.R.R.P.H.C.

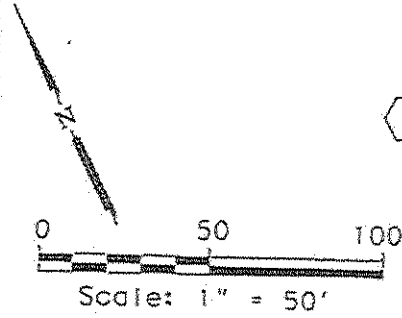
E WEST HARRIS COUNTY M.U.D. NO. 1
 10' WIDE WATER LINE EASEMENT
 0.0384 ACRES
 (1,673 SQ. FT.)
 H.C.C.F. NO. L550189
 F.C. NO. 109-71-1530
 O.P.R.R.P.H.C.

D WEST HARRIS COUNTY M.U.D. NO. 1
 15' WIDE STORM SEWER EASEMENT
 0.0345 ACRES
 (1,503 SQ. FT.)
 H.C.C.F. NO. L550191
 F.C. NO. 109-71-1548
 O.P.R.R.P.H.C.

RESTRICTED RESERVE "H"
 BROOKHOLLOW WEST SECTION 5
 VOL. 326, PG. 101
 M.R.H.C.

CALLED 9.0580 ACRES
 15301 STONEHAVEN APARTMENTS, L.P.
 H.C.C.F. NO. 20060051083
 F.C. NO. 028-55-1343
 O.P.R.R.P.H.C.
 SEPTEMBER 1, 2006

RESTRICTED RESERVE "H-I"
 BROOKHOLLOW WEST SECTION 5
 VOL. 398, PG. 61
 M.R.H.C.



CobbFendley

13430 Northwest Freeway, Suite 1100
 Houston, Texas 77040
 713.462.3242 | fax 713.462.3252 | www.cobbhendley.com

PARCEL PLAT
 SHOWING
 PARCEL 617

U.S. 290 EAST
 HARRIS COUNTY

R.O.W. CSJ: 0050-09-083
 DATED: SEPTEMBER, 2011

PAGE 8 OF 8 SCALE: 1"=50'

Stonehaven Apartment Homes

060613/060613B, CMTS ID 4345

Amendment Request - Decrease in Acreage

Acreage before	9.058	
Acreage after	<u>7.609</u>	
Decrease in Acreage	<u>1.449</u>	
% Decrease in Acreage		<u>16.00%</u>
# of Units	<u>192</u>	
Residential Density Before	21.1967	
Residential Density After	<u>25.2333</u>	
Increase in Residential Density	<u>4.0365</u>	
% Increase in Residential Density		<u>19.04%</u>

1p

BOARD REPORT ITEM
ASSET MANAGEMENT DIVISION
APRIL 10, 2014

Presentation, Discussion and Possible Action regarding Resolution No. 14-025 pursuant to Texas Government Code §2306.174 concerning the holding of real estate beyond three year limitation

RESOLUTION No14-025

WHEREAS, the Department acquired through foreclosure the following multifamily property and tract of land:

901 N. Orange, Alpine, Texas (Alpine Retirement Community) in May of 2007
3914 Wagon Road, Dickinson, Texas in April of 2007;

WHEREAS, the Department acquired through foreclosure the following four (4) single family tracts of land:

18631 Sobrino Dr. and 18641 Sobrino Dr., Tornillo, Texas in March of 2011
2151 Old Pioneer Road, Eagle Pass, Texas in March of 2007
5001 Allison Street, Edinburg, Texas in March 2006

WHEREAS, the Department has marketed on its website and worked with potential buyers to negotiate a disposition of the tracts through the sale or transfer to an appropriate owner;

WHEREAS, to date, despite diligent efforts, the Department has been unsuccessful in disposing of these tracts of land and properties; and,

WHEREAS, Texas Government Code, §2306.174 requires that this Board adopt a resolution if, despite such efforts, a purchaser cannot be found and the Department will be holding the tracts for more than three years.

NOW, therefore, it is hereby

RESOLVED, that this Board authorizes the continued ownership of these assets beyond the third anniversary of their acquisition through foreclosure in accordance with Texas Government Code §2306.174 and, directs staff to continue to try to find a purchaser and to sell these properties when a purchaser is found.

FURTHER RESOLVED, that the Executive Director and his designees are hereby, authorized, empowered, and directed to take all necessary action to effectuate the foregoing.

Signed this Tenth Day of March 2014.

J. Paul Oxer, Chair

BACKGROUND

Pursuant to Texas Government Code, §2306.174 the Department may, in performing its duties and exercising its powers under this chapter, acquire or dispose of any real property and may hold, manage, operate or improve real, personal, or mixed property under the following exceptions:

- a.) the Department is restricted in acquiring property under §2306.251 of the Texas Government Code, unless it is required to foreclose on a delinquent loan and elects to acquire the property at foreclosure;
- b.) the Department shall make a diligent effort to sell a housing development, acquired through foreclosure, to a purchaser who will be required to pay ad valorem taxes on the housing development; and
- c.) not later than the third anniversary of the date of acquisition, if a purchaser cannot be found, the Board must adopt a resolution stating that a purchaser cannot be found after diligent search by the Department, in which case the Department shall continue to try to find a purchaser and shall sell the housing development when a purchaser is found.

The Board has previously adopted a similar resolution, Resolution #11-002, on September 9, 2010 which authorized the continued ownership of eight (8) single family tracts of land held by the Department and marketed for sale. Six of the eight single family properties included in that previous resolution have been sold.

The Department currently owns via foreclosure a total of fifteen (15) single family properties which it is marketing through a combination of working with local brokers and buyers and listing on the Departments website. This real estate consists of six vacant lots and nine lots improved with homes in various conditions. These homes/lots were owned by participants in one of the Department's single family home ownership programs (Bootstrap – one home, contract for deed- six lots and five homes, or colonial model subdivision- three homes). In all cases repeated attempts to get the borrowers to make some payment or respond to requests to re-establish a payment plan failed and the Department's Asset Review Committee approved foreclosure. In addition to the two lots that were included in the previous resolution but remain unsold, two additional lots have now been owned for three years as of 3/1/2014 (Substitute Trustees Deed date 3/1/2011). Since May 2011 Asset Resolution staff have sold eight (8) single family properties, including six of the longest held properties, for total proceeds of \$60,573. Single family disposition results over the past year have slowed as more focus has been spent on loan resolution than disposition.

There are two multifamily properties listed in this resolution. Alpine Retirement Center was originally funded with HOME and acquired by the Department through foreclosure on May 1, 2007. Over time there has been occasional buyer interest in this property, but the remote rural location of the property made it difficult to find competent and independent property management. As a result, rents have not been adequately managed and the properties cash flow is far from what should be achievable, even in this rural market. Staff recently replaced the management agent and is working on improvements to the overall operations of the development. At the same time the Department has enlisted the assistance of a nationally recognized real estate broker who specializes in affordable housing to market the property for sale. Staff has seen an uptick in interest in the property and has had discussions through the

property manager and broker with several qualified potential buyers in recent months and is optimistic that the property could be sold by the end of the year.

The second multifamily property was a HOME funded property foreclosed with improvements but subsequently demolished by the City of Dickinson. It now is a vacant tract of land that is zoned for multifamily development; though the City has encouraged the Department to find an alternative site if we intend to replace the lost HOME units. Over the last year significant efforts were made to find a developer to redevelop this site to replace the HOME unit affordability. These efforts were previously reported to the Board in meetings held on December 12, 2013 and January 23, 2014. Thus far the efforts have not been successful due to potential flood issues with the site. The Department is pursuing efforts with a real estate broker to identify other similar multifamily units in the area that could serve as replacement units for the lost HOME units on this contract. While the site is still offered for sale as a multifamily site it may ultimately be sold for some other purpose following the resolution of the HOME replacement unit issue.

Both multifamily properties are listed on the Department's website in the Multifamily Preservation Clearinghouse section. This area provides nonprofit and for-profit buyers, financial institutions, and other organizations a means of identifying and contacting the various parties necessary for an affordable housing transaction. Existing multifamily properties that are not currently subsidized, but could potentially be financed with an affordable component, are also welcome to be posted for sale on this webpage. Property owners may also use this site to provide notices of federal opt-outs or prepayments to TDHCA as required under Sections 2306.185(f) and 2306.851 of the Texas Government Code as amended.

The Department will continue to diligently market all remaining owned real estate to find appropriate purchasers but in the meantime must continue to own and manage these properties to prevent further deterioration of value.

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BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
APRIL 10, 2014

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

RECOMMENDED ACTION

WHEREAS, the William Cannon Apartments was originally awarded an allocation of Housing Tax Credits at the July 25, 2013, Board Meeting;

WHEREAS, due to changes in the financial and organizational structures the Applicant was unable to close on the bonds by the original Certificate of Reservation expiration deadline of September 30, 2013;

WHEREAS, in lieu of a new Certification of Reservation, a Carryforward Designation Certificate was issued on January 9, 2014, and will expire on December 31, 2016;

WHEREAS, the proposed issuer of the bonds for the Development is the Travis County Housing Finance Corporation;

WHEREAS, an updated 4% Housing Tax Credit application was submitted to the Department on December 9, 2013;

WHEREAS, the Executive Award and Review Advisory Committee (“EARAC”) recommends the issuance of the Determination Notice with the conditions that closing occur within 120 days and that the terms and financing structure not change prior to closing; and

WHEREAS, compliance issues were reported to EARAC and it was determined that those issues do not warrant denial or conditions;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,354,382 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for the William Cannon Apartments is hereby approved in the form presented to this meeting; and

FURTHER RESOLVED, that provided the Applicant has not closed on the bond financing by August 8, 2014, or if the underwritten financing structure or terms change prior to closing, this Determination Notice will be rescinded without further action by the Board.

BACKGROUND

General Information: William Cannon Apartments, located in Austin, Travis County, involves the new construction of 252 total residential units, of which 4 units will be rent and income restricted at 50% of AMFI and the remaining 248 units will be rent and income restricted at 60% of AMFI. The development will serve the general population and is currently zoned appropriately.

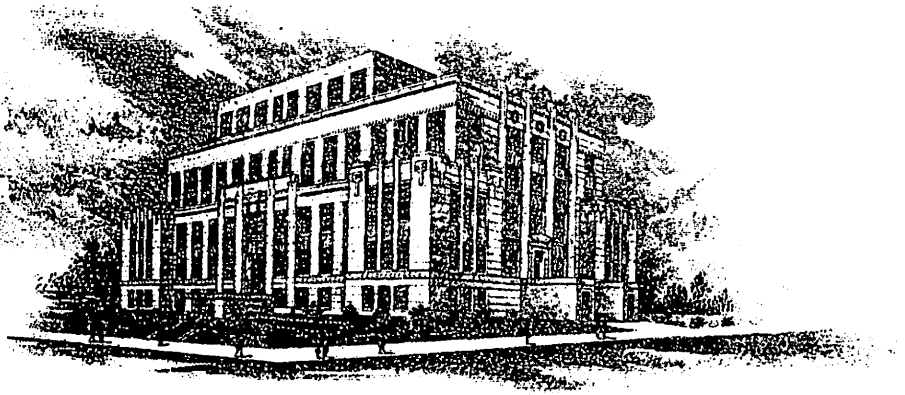
Changes to the Application: The current housing tax credit application includes a couple of changes from the previous application which primarily consist of the inclusion of the Strategic Housing Finance Corporation of Travis County as general partner and use of conventional financing rather than a HUD 221(d)(4) loan.

Conditions to Award: The application and underwriting report were reviewed by EARAC and it was recommended by EARAC that any Board approval of the Determination Notice include conditions related to the closing of the bonds. Specifically, EARAC recommends that the closing must occur within 120 days (August 8, 2014) and that the underwritten financing structure and terms may not change prior to such closing or the Determination Notice will be rescinded. This condition is generally consistent with the requirements of a bond transaction utilizing non-traditional carryforward (the subject applicant received a traditional carryforward reservation). For non-traditional carryforward reservations, a statutory 150-day deadline from the date of the reservation for closing is imposed and the Determination Notice for any associated 4% award expires if closing does not occur within this timeframe or if the financing structure or terms change. Traditional carryforward reservations are not specifically addressed in the rule and this recommendation addresses the proposal in a manner to result in consistency. Staff believes that closing within a reasonable period after Board action is important and consistent with the constraints present for most other bond transactions. Therefore, EARAC recommends the above stated condition to any Board approval of a Determination Notice.

Organizational Structure and Compliance: The Borrower is Pedcore Investments-2012-CXXXI, L.P. The general partner is SHFCTC William Cannon, LLC, which includes Strategic Housing Finance Corporation of Travis County and is comprised of the following individuals: Craig Alter, Sarah Dale Anderson, Ofelia Elizondo, Magdalena Blanco, Richard Moya, Melvin Wrenn, and Willie Anderson. EARAC met on March 31, 2014, and considered the previous participation review documentation relating to the organizational structure as noted above in accordance with the Previous Participation Reviews found in 10 TAC §1.5. There was no dissenting vote cast relating to the review, and EARAC determined that the compliance issues do not warrant denial or conditions.

Census Demographics: The development is to be located at 2112 and 2014 William Cannon in Austin. Demographics for the census tract (0024.19) include AMFI of \$28,899; the total population is 3,890; the percent of population that is minority is 77.76%; the percent of the population that is below the poverty line is 24.30%; the number of owner-occupied units is 16 and the number of renter units is 1,893. (Census information is from FFIEC Geocoding for 2013.)

Public Comment: The Department has received a letter of support from Margaret J. Gomez, Travis County Commissioner, and no letters of opposition have been received.



MARGARET J. GÓMEZ
COMMISSIONER, PRECINCT 4

700 LAVACA, SUITE 1510
AUSTIN, TEXAS 78767
P.O. Box 1748
854-9444

April 24, 2013

TDHCA
Timothy Irvine, Executive Director
221 East 11th Street
Austin, TX 78701

Re: Pedcor William Cannon Apartments

I am writing this letter to voice my support for TDHCA Tax Credit Application William Cannon Apartments, to be located at 2112 and 2014 William Cannon, Austin, TX 78744.

As a the Travis County Commissioner for Precinct 4, my office has an interest in providing safe, affordable housing for the county's residents. We believe there is a need for affordable housing in our precinct that has yet to be addressed fully, and that this development will help to meet that need.

Sincerely,

A handwritten signature in cursive script that reads "Margaret J. Gomez".

Margaret J. Gomez
Travis County Commissioner, Pct 4

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
APRIL 10, 2014

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

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for Parmer Place Apartments was originally submitted to the Department on April 29, 2013, and was awarded an allocation of Housing Tax Credits at the July 25, 2013 Board Meeting;

WHEREAS, due to changes in the financial and organizational structures the Applicant was unable to close on the bonds by the original 150-day deadline of September 30, 2013;

WHEREAS, in lieu of a new Certification of Reservation, a Carryforward Designation Certificate was issued on January 9, 2014, and will expire on December 31, 2016;

WHEREAS, the proposed issuer of the bonds for the Development is the Travis County Housing Finance Corporation;

WHEREAS, an updated 4% Housing Tax Credit application for Parmer Place Apartments was submitted to the Department on December 9, 2013;

WHEREAS, the Executive Award and Review Advisory Committee (“EARAC”) recommends the issuance of the Determination Notice with the conditions that closing occur within 120 days and that the terms and financing structure not change prior to closing; and

WHEREAS, compliance issues were reported to EARAC and it was determined that those issues do not warrant denial or conditions;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,042,123 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for the Parmer Place Apartments is hereby approved in the form presented to this meeting; and

FURTHER RESOLVED, that provided the Applicant has not closed on the bond financing by August 8, 2014, or if the underwritten financing structure or terms change prior to closing, this Determination Notice will be rescinded without further action by the Board.

BACKGROUND

General Information: Parmer Place Apartments, located in Austin, Travis County, involves the new construction of 252 total residential units, all of which will be rent and income restricted at 60% of AMFI. The development will serve the general population and is currently zoned appropriately.

Changes to the Application: The current housing tax credit application includes a couple of changes from the previous application which primarily consist of the inclusion of the Strategic Housing Finance Corporation of Travis County as general partner and use of conventional financing rather than a HUD 221(d)(4) loan.

Conditions to Award: The application and underwriting report were reviewed by EARAC, and it is a recommendation of EARAC that any Board approval of the Determination Notice include conditions related to the closing of the bonds. Specifically, EARAC recommends that the closing must occur within 120 days (August 8, 2014) and that the underwritten financing structure and terms may not change prior to such closing or the Determination Notice will be rescinded. This condition is generally consistent with the requirements of a bond transaction utilizing non-traditional carryforward (the subject applicant received a traditional carryforward reservation). For non-traditional carryforward reservations, a statutory 150-day deadline from the date of the reservation for closing is imposed and the Determination Notice for any associated 4% award expires if closing does not occur within this timeframe or if the financing structure or terms change. Traditional carryforward reservations are not specifically addressed in the rule and this recommendation addresses the proposal in a manner to result in consistency. Staff believes that closing within a reasonable period after Board action is important and consistent with the constraints present for most other bond transactions. Therefore, EARAC recommends the above stated condition to any Board approval of a Determination Notice.

Organizational Structure and Compliance: The Borrower is Pedcore Investments-2012-CXXX, L.P. The General Partner in the previously approved application was Parmer Place Housing Company, LLC, the principals of which included Thomas G. Crowe, Craig H. Lintner, Philip J. Stoffregen, Bruce A. Cordingley and the Gerald K. Pedigo Trust. Currently the anticipated General Partner is SHFCTC Parmer Place, LLC, which includes Strategic Housing Finance Corporation of Travis County and is comprised of the following individuals: Craig Alter, Sarah Dale Anderson, Ofelia Elizondo, Magdalena Blanco, Richard Moya, Melvin Wrenn, and Willie Anderson. EARAC met on March 31, 2014, and considered the previous participation review documentation relating to the organizational structure as noted above in accordance with the Previous Participation Reviews found in 10 TAC §1.5. There was no dissenting vote cast relating to the review, and EARAC determined that the compliance issues do not warrant denial or conditions.

Census Demographics: The development is to be located at 1500 East Parmer Lane in Austin. Demographics for the census tract (0018.39) include AMFI of \$69,357; the total population is 7,267; the percent of population that is minority is 70.66%; the percent of the population that is below the poverty line is 5.27%; the number of owner-occupied units is 1,264 and the number of renter units is 1,401. (Census information is from FFIEC Geocoding for 2013.)

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

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
APRIL 10, 2014

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

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for the Point at Ben White was submitted to the Department on January 15, 2014;

WHEREAS, in lieu of a Certification of Reservation, a Carryforward Designation Certificate was issued on January 15, 2013, and will expire on December 31, 2015;

WHEREAS, the proposed issuer of the bonds for the Development is the Austin Affordable Public Facility Corporation;

WHEREAS, the Executive Award and Review Advisory Committee (“EARAC”) recommends the issuance of the Determination Notice with the conditions that closing occur within 120 days and that the terms and financing structure not change prior to closing; and

WHEREAS, compliance issues were reported to EARAC and it was determined that those issues do not warrant denial or conditions;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,399,970 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for the Point at Ben White is hereby approved in the form presented to this meeting; and

FURTHER RESOLVED, that provided the Applicant has not closed on the bond financing by August 8, 2014, or if the underwritten financing structure or terms change prior to closing, this Determination Notice will be rescinded without further action by the Board.

BACKGROUND

General Information: The Point at Ben White, located in Austin, Travis County, involves the new construction of 250 total residential units, all of which will be rent and income restricted at 60% of AMFI. The development will serve the general population and is currently zoned appropriately.

Conditions to Award: The application and underwriting report were reviewed by EARAC, and it is a recommendation of EARAC that any Board approval of the Determination Notice include conditions related to the closing of the bonds. Specifically, EARAC recommends that the closing must occur within 120 days (August 8, 2014) and that the underwritten financing structure and terms may not change prior to such closing or the Determination Notice will be rescinded. This condition is generally consistent with the requirements of a bond transaction utilizing non-traditional carryforward (the subject applicant received a traditional carryforward reservation). For non-traditional carryforward reservations, a statutory 150-day deadline from the date of the reservation for closing is imposed and the Determination Notice for any associated 4% award expires if closing does not occur within this timeframe or if the financing structure or terms change. Traditional carryforward reservations are not specifically addressed in the rule and this recommendation addresses the proposal in a manner to result in consistency. Staff believes that closing within a reasonable period after Board action is important and consistent with the constraints present for most other bond transactions. Therefore, EARAC recommends the above stated condition to any Board approval of a Determination Notice.

In addition, staff will issue an Administrative Deficiency allowing the applicant to address issues with the proposed site plan, specifically that it comply with and reference 2010 ADA standards instead of Uniform Federal Accessibility Standards (“UFAS”).

Organizational Structure and Compliance: The Borrower is Ben White Development, L.P. The General Partner is Ben White Development GP, L. L.C., which is comprised of the Austin Affordable Housing Corporation, a not for profit organization, and Ben White Development SLP, LLC. The Board Members of the Austin Affordable Housing Corporation include the following: Thomas Cherian, Ron Kowal, Carl S. Richie, Jr., Dr. Tyra Duncan Hall, Charles C. Bailey, Isaac Robinson, Michael Gerber, and Edwina Carrington. Ben White Development SLP, LLC is wholly owned by Chris Dischinger and Mark Lechner. EARAC met on March 31, 2014, and considered the previous participation review documentation relating the organizational structure noted above in accordance with the Previous Participation Reviews found in 10 TAC §1.5. There was no dissenting vote cast relating to the review and EARAC determined that the compliance issues do not warrant denial or conditions.

Census Demographics: The development is to be located at 7000 E. Ben White Boulevard in Austin. Demographics for the census tract (0023.12) include AMFI of \$29,361; the total population is 7,157; the percent of population that is minority is 90.79%; the percent of the population that is below the poverty line is 37.02%; the number of owner-occupied units is 867 and the number of renter units is 1,113. (Census information is from FFIEC Geocoding for 2013.)

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

BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
APRIL 10, 2014

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

RECOMMENDED ACTION

WHEREAS, a 4% Housing Tax Credit application for the Villages of Ben White was submitted to the Department on January 15, 2014;

WHEREAS, in lieu of a Certification of Reservation, a Carryforward Designation Certificate was issued on January 15, 2013, and will expire on December 31, 2015;

WHEREAS, the proposed issuer of the bonds for the Development is the Austin Affordable Public Facility Corporation;

WHEREAS, the Executive Award and Review Advisory Committee (“EARAC”) recommends the issuance of the Determination Notice with the conditions that closing occur within 120 days and that the terms and financing structure not change prior to closing; and

WHEREAS, compliance issues were reported to EARAC and it was determined that those issues do not warrant denial or conditions;

NOW, therefore, it is hereby

RESOLVED, that the issuance of a Determination Notice of \$1,074,209 in 4% Housing Tax Credits, subject to underwriting conditions that may be applicable as found in the Real Estate Analysis report posted to the Department’s website for the Villages of Ben White is hereby approved in the form presented to this meeting; and

FURTHER RESOLVED, that provided the Applicant has not closed on the bond financing by August 8, 2014, or if the underwritten financing structure or terms change prior to closing, this Determination Notice will be rescinded without any further action by the Board.

BACKGROUND

General Information: The Villages of Ben White, located in Austin, Travis County, involves the new construction of 183 total residential units, all of which will be rent and income restricted at 60% of AMFI. The development will serve an elderly population and is currently zoned appropriately.

Conditions to Award: The application and underwriting report were reviewed by EARAC, and it is a recommendation of EARAC that any Board approval of the Determination Notice include conditions related to the closing of the bonds. Specifically, EARAC recommends that the closing must occur within 120 days (August 8, 2014) and that the underwritten financing structure and terms may not change prior to such closing or the Determination Notice will be rescinded. This condition is generally consistent with the requirements of a bond transaction utilizing non-traditional carryforward (the subject applicant received a traditional carryforward reservation). For non-traditional carryforward reservations, a statutory 150-day deadline from the date of the reservation for closing is imposed and the Determination Notice for any associated 4% award expires if closing does not occur within this timeframe or if the financing structure or terms change. Traditional carryforward reservations are not specifically addressed in the rule and this recommendation addresses the proposal in a manner to result in consistency. Staff believes that closing within a reasonable period after Board action is important and consistent with the constraints present for most other bond transactions. Therefore, EARAC recommends the above stated condition to any Board approval of a Determination Notice.

In addition, staff will issue an Administrative Deficiency allowing the applicant to address issues with the proposed site plan, specifically that it comply with and reference 2010 ADA standards instead of Uniform Federal Accessibility Standards (“UFAS”).

Organizational Structure and Compliance: The Borrower is Villages of Ben White, L.P. The General Partner is Villages of Ben White GP, L. L.C., which is comprised of the Austin Affordable Housing Corporation, a not for profit organization, and Villages of Ben White SLP, LLC. The Board Members of the Austin Affordable Housing Corporation include the following: Thomas Cherian, Ron Kowal, Carl S. Richie, Jr., Dr. Tyra Duncan Hall, Charles C. Bailey, Isaac Robinson, Michael Gerber, and Edwina Carrington. Villages of Ben White SLP, LLC is wholly owned by Chris Dischinger and Mark Lechner. EARAC met on March 31, 2014, and considered the previous participation review documentation relating the organizational structure noted above in accordance with the Previous Participation Reviews found in 10 TAC §1.5. There was no dissenting vote cast relating to the review and EARAC determined that the compliance issues do not warrant denial or conditions.

Census Demographics: The development is to be located at 7016 E. Ben White Boulevard in Austin. Demographics for the census tract (0023.12) include AMFI of \$29,361; the total population is 7,157; the percent of population that is minority is 90.79%; the percent of the population that is below the poverty line is 37.02%; the number of owner-occupied units is 867 and the number of renter units is 1,113. (Census information is from FFIEC Geocoding for 2013.)

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

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BOARD ACTION REQUEST
MULTIFAMILY FINANCE DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action to approve up to a six month extension and take other appropriate action to facilitate such extensions and completion of HOME Investment Partnership (“HOME”) Program Multifamily 2011 and 2012 Contracts which have not yet cleared their final Department construction inspection.

RECOMMENDED ACTION

WHEREAS, the Texas Department of Housing and Community Affairs (the “Department”) awarded HOME multifamily development funds for the construction and rehabilitation of forty-five properties during 2011 and 2012;

WHEREAS, twenty-nine of these 2011-2012 awarded HOME multifamily properties are scheduled to complete construction within the next six months per the completion dates stated in their Construction Loan Agreements;

WHEREAS, the Department’s Compliance staff is inspecting and/or re-inspecting new construction properties that started construction on or after March 15, 2012, to ensure compliance with the 2010 ADA standards, which include requirements that previous accessibility standards did not include;

WHEREAS, a Closed Final Development Inspection Letter – indicating all construction deficiencies identified during a final inspection have been cleared – issued by the Department’s Compliance staff is a TDHCA Board promulgated rule requirement for releasing final draw disbursements; and

WHEREAS, this unique situation is causing the need for additional time to conduct inspections based on the 2010 standards and to defer loan repayment start dates to allow for completion of the final draw and construction close out activities;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director or his designee be and each of them hereby are authorized, empowered, and directed, for and on behalf of this Board to extend multifamily 2011 and 2012 HOME grace period or Contract end dates by as much as six months, defer loan repayment by as much as six months, allow small draws from hard cost retainage to avoid lock out from HUD’s Integrated Disbursement and Information System (“IDIS”) system, and/or, where hard cost retainage has not been withheld and developments have been inspected, allow owners who have already received certificates of occupancy and a Certificate of

Substantial Completion to draw final funds as necessary to complete the close out process.

BACKGROUND

The TDHCA Board, in its rulemaking capacity, has historically included the final clearance of any issues identified by the TDHCA final construction inspection as a requirement to close out a HOME construction activity.

As a result of the federal determination as implemented by the Department, that the 2010 ADA standards apply to new construction developments that started construction on or after March 15, 2012, certain HOME funded developments are being re-inspected for compliance with 2010 ADA standards. In some instances the Department is re-inspecting developments that received a prior inspection based on prior accessibility standards. This, along with the higher than normal volume of HOME funded developments, has created additional monitoring detail and new compliance requirements for construction inspection staff. Developments that have already been inspected and have received corrective action letters are also being mailed additional corrective action based on 2010 standards and therefore have not yet received Closed Final Development Inspection Letters. The first three properties on the attached list, for example, received initial inspections in July and October of 2013, but have not yet received final inspection close out letters certifying to inspection completion under the new standards.

From the start of each multifamily HOME contract, Department rules currently provide for a six month closing deadline and an 18 to 24 month development period that begins when the HOME loan actually closes, which is followed by a sixty day grace period to close the contract activity in the Housing Contract System and IDIS and release the final disbursement of funds. The Construction Loan Agreement (“CLA”) requires Development Owners to request their final construction inspection 30 days from the date of construction completion. On a typical multifamily HOME timeline, the owner will request the inspection and the Compliance Division will review the inspection request within thirty (30) days and provide the owner a thirty day notice of the coming inspection. Once the inspection is completed, the Compliance Division will issue a report to the owner within thirty days of the inspection. The Development Owner then, as per 10 TAC §10.602 and pursuant to the changes in State Statute last session, will receive 90 days to submit a corrective action response for any inspection findings; this 90 day corrective action period can be extended for a period of up to six months for good cause. Therefore, developments that may have experienced actual delays during construction and have inspection issues that need to be resolved could easily exceed the development period timetable in the rule.

A full list of the HOME 2011 and 2012 properties that have yet to draw the full balance of their awarded funds is attached; twenty-nine of the properties listed have contract end dates occurring within the next six months; eleven have already started repaying their HOME loans without having drawn the full balance of their awards; twelve will be placed in infrequent draw status in HUD’s IDIS system within the next six months if the contracts cannot be closed through the final inspection process and retainage cannot be drawn. In order to avoid these and additional portfolio issues associated with further delays, staff recommends being granted the authority to complete the following actions where necessary: 1) Extend grace period or contract end dates by

as much as six months regardless of previous extensions granted to allow additional time for final inspection and close out; 2) Where loan repayment has already begun or will begin prior to final inspection close out and final draw, grant forbearance of payment until final funds are disbursed and credit payments already made to the amended payment start date; 3) Where hard cost retainage is the only balance remaining on contracts, allow an incremental draw (not to exceed 25% of total retainage held) from retainage and avoid a lock out for infrequent draw status in HUD's IDIS system; 4) Where retainage has not been held and a small soft cost balance remains, allow owners to submit draws for final funds and close contracts based on evidence of received Certificates of Occupancy, a Certificate of Substantial Completion, and confirmation that a TDHCA final inspection has occurred. Any items the owner fails to correct after final inspection will become part of the normal monitoring process and may be noted on an owner's previous participation review.

In addition to the actions requested above, staff will take steps to further address the potential for these delays in the future by suggesting changes to the Uniform Multifamily Rules this fall, revisiting development construction, draw, and repayment timelines in the HOME Commitment and Construction Loan Agreement, and implementing a new section in the HOME Multifamily post award training. The requested actions and these steps will ensure that old portfolio problems are rectified with minimal impact on the Department and development owners.

HOME Contract	Development Name	Suggested Action
1001538	The Terrace at MidTowne	Amend and reactivate terminated contract end date or extend grace period and deferral of additional loan repayments until final balance is drawn.
1001497	Main St Commons	Waiver of final inspection closed rule for small soft cost draw and close IDIS and deal with strictly as inspection monitoring issue
1001492	The Overlook at Plum Creek	Waiver of final inspection closed rule for small soft cost draw and close IDIS and deal with strictly as inspection monitoring issue
1001540	Riverwood Commons	Amend and reactivate terminated contract end date or extend grace period and deferral of additional loan repayments until final balance is drawn.
1001491	Oasis Cove	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout. Note modification or deferral of loan payments.
1001500	Mariposa at Bay Colony	Amend close date on contract. Note Modification or deferral of loan payments.
1001541	Villas of Giddings	Amend and reactivate terminated contract end date or extend grace period and deferral of additional loan repayments until final balance is drawn.
1001495	Jourdanton Square Apts	Amend and reactivate terminated contract end date or extend grace period and deferral of additional loan repayments until final balance is drawn.
1001576	Allegre Point	Waiver of final inspection closed rule for small soft cost draw and close IDIS and deal with strictly as inspection monitoring issue
1001669	Merritt Legacy Apts	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout. Note modification or deferral of loan payments.
1001668	Heartland Village Apts	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout. Note modification or deferral of loan payments.
1001638	Fox Run Apts	Amend contract end date. Allow small draw from retainage prior to inspection closeout to avoid IDIS lockout. Note modification or deferral of additional loan payments until final balance is drawn.
1001639	Village of Kaufman Apts	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout. Note modification or deferral of loan payments.
1001537	American GI Foreign Village I & II	Amend close date on contract. Waiver of final inspection closed rule for small soft cost draw and close out to avoid problems with Note repayment date.
1001501	Artisan at Dilley	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout. Note modification or deferral of loan payments.
1001672	The Reserves at High Plains	Amend close date on contract. Note modification or deferral of loan payments.
1001590	Northwood Apts	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout. Note modification or deferral of loan payments.
1001591	Oakwood Apts	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout. Note modification or deferral of loan payments.
1001506	Pioneer Crossing for Seniors Burkburn	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout. Note modification or deferral of loan payments.
1001675	TGO Independence Village	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout.
1001673	Saddlebrook Apts	Amend close date on contract. Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout.
1001674	Inez Tims Apts	Amend close date on contract.
1001714	Villas of Brownwood II	Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout.
1001799	Creek View Apts III	Allow small draw from withheld retainage and developer fee (25% required to be released only at retainage) prior to inspection to avoid IDIS lockout. Note mod/deferral.
1001677	Cottonwood	Allow small draw from withheld retainage as necessary. Note modification or deferral of loan payments if inspection close out is delayed through November.
1001828	Sienna Pointe	Allow small draw from withheld retainage as necessary. Note modification or deferral of loan payments if inspection close out is delayed through November.
1001589	Creek View Apts II	Allow small draw from withheld retainage and developer fee (25% required to be released only at retainage) prior to inspection to avoid IDIS lockout. Note mod/deferral.
1001671	Royal Gardens	Allow small draw from withheld retainage as necessary. Note modification or deferral of loan payments if inspection close out is delayed through October.
1001679	Elmwood Apartments	Note modification or deferral of loan payments if inspection close out is delayed through November.
1001687	Villa Brazos	Note modification or deferral of loan payments if inspection close out is delayed through January 2015. Owner must close URA issues and submit draw before August.
1001750	Stonebridge at Kelsey Park	Owner must submit a soft cost draw. Note modification or deferral of loan payments if inspection close out is delayed through January 2015.
1001684	Stepping Stone & Taylor Square	Note modification or deferral of loan payments if inspection close out is delayed through January 2015.
1001670	San Gabriel	Owner must submit a soft cost draw. Note modification or deferral of loan payments if inspection close out is delayed through February 2015.
1001715	Chandler Place Apartments	Note modification or deferral of loan payments if inspection close out is delayed through February 2015.
1001759	The Residences of Solms Village	Note modification or deferral of loan payments if inspection close out is delayed through April 2015.
1001680	Park View Place	Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout if date approaches 2/10/15.
1001678	The Gateway Northwest	Owner must submit a soft cost draw.
1001681	Paseo Pointe	No action needed at this time.
1001682	Hacienda del Sol	No action needed at this time.
1001686	Highland Villas	Allow small draw from withheld retainage prior to inspection to avoid IDIS lockout if date approaches 12/11/14.
1001829	Champion Homes at Tahoe Lakes	No action needed at this time.
1001676	Sunrise	No action needed at this time.

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BOARD ACTION REQUEST

MULTIFAMILY FINANCE DIVISION

APRIL 10, 2014

Presentation, Discussion and Possible Action regarding Resolution No. 14-026 for the Redemption Agreement relating to the Multifamily Housing Revenue Bonds for Tranquility Bay Apartments, Series 2004.

RECOMMENDED ACTION

WHEREAS, the Department issued Series 2004 tax-exempt bonds in the aggregate principal amount of \$14,350,000 to the Tranquility Bay Apartments development in Pearland, Brazoria County, Texas, to construct 246 units of affordable multifamily rental housing;

WHEREAS, the bonds were not subject to optional redemption prior to June 1, 2021, pursuant to Section 3.3 of the Trust Indenture; and

WHEREAS, the owner intends to refinance utilizing a Fannie Mae loan that will pay off the outstanding bonds in their entirety;

NOW, therefore, it is hereby

RESOLVED, that the Resolution #14-026 relating to the Redemption Agreement for Tranquility Bay Apartments is hereby approved as presented to this meeting.

BACKGROUND

Tranquility Bay Apartments, a 246-unit Development located in Pearland, Brazoria County, Texas, was issued Series 2004 tax-exempt bonds by the Department in the amount of \$14,350,000. The bonds were originally issued as unrated and privately placed with MuniMae TE Bond Subsidiary, LLC with a 40-year term and amortization. The interest rate during the permanent loan period was at a fixed rate of 6.50%.

The Owner has recently negotiated with the 100% bondholder terms that would allow them to redeem bonds in whole at a price equal to 105% of the outstanding principal amount of the bonds plus accrued interest. The Owner recently received approval of a \$14,500,000 Fannie Mae loan with a 7-year term at an interest rate of approximately 4%, anticipated to be locked once Board approval is obtained. The redemption is scheduled to occur on April 17, 2014.

RESOLUTION NO. 14-026

RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF A REDEMPTION AGREEMENT IN CONNECTION WITH MULTIFAMILY HOUSING REVENUE BONDS (TRANQUILITY BAY APARTMENTS) SERIES 2004; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

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

WHEREAS, the Department previously issued its Multifamily Housing Revenue Bonds (Tranquility Bay Apartments) Series 2004 in the original principal amount of \$14,350,000 (the "2004 Bonds") pursuant to the terms and provisions of that certain Trust Indenture dated as of June 1, 2004 (the "Indenture"), between the Department and U.S. Bank National Association, as successor trustee to The Bank of New York Trust Company, N.A. (the "Trustee"); and

WHEREAS, pursuant to that certain Loan Agreement dated as of June 1, 2004, the Department agreed to make a loan to Tranquility Housing, Ltd. (the "Borrower") of the proceeds of the 2004 Bonds upon the terms and conditions therein contained to finance a portion of the costs of Tranquility Bay Apartments located in Brazoria County, Texas; and

WHEREAS, Embassy & Co., as sole holder of 100% of the aggregate principal amount of the 2004 Bonds (the "Bondholder"), acting at the direction of TE Bond Subsidiary, LLC, the beneficial owner of 100% of the 2004 Bonds (the "Beneficial Owner") has agreed to waive the lockout provisions set forth in the Indenture and all notices and any other provisions of the Indenture that would otherwise preclude the redemption of the 2004 Bonds or the modification of the Indenture pursuant to the terms set forth in the Redemption Agreement (as hereinafter defined); and

WHEREAS, the Borrower and the Bondholder have requested that the Department enter into the Redemption Agreement among the Department, the Borrower, the Trustee and the Bondholder and acknowledged by the Beneficial Owner (the "Redemption Agreement") setting forth the terms of the redemption of the 2004 Bonds; and

WHEREAS, the Department's execution of the Redemption Agreement shall be subject to receipt of the consents, opinions, approvals or notices required by the Indenture, to the extent modified by the Redemption Agreement; and

WHEREAS, the Department now desires to take certain actions with respect to the Redemption Agreement;

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

ARTICLE 1

APPROVAL OF DOCUMENTS AND CERTAIN ACTIONS

Section 1.1 Approval, Execution and Delivery of Redemption Agreement. The Redemption Agreement, in substantially the form presented at this meeting, is hereby approved and adopted by the Department, and the Authorized Representatives of the Department named in this Resolution are each hereby authorized and empowered to execute and deliver the Redemption Agreement on behalf of the Department, with such changes as may be approved by the Authorized Representative executing the same, such approval to be evidenced by such Authorized Representative's execution thereof.

Section 1.2 Execution and Delivery of Other Documents. The Authorized Representatives shall be and each is expressly authorized, empowered and directed from time to time and at any time to do and perform all acts and things and to execute, acknowledge and deliver in the name and under the corporate seal and on behalf of the Department all certificates, financing statements, instruments and other documents, whether or not herein mentioned, as they may determine to be necessary or desirable in order to carry out the terms and provisions of this Resolution, as well as the terms and provisions of the Redemption Agreement, such determination to be conclusively evidenced by the performance of such acts and things and the execution of any such certificate, financing statement, instrument or other document.

Section 1.3 Consents and Approvals. The Department's execution of the Redemption Agreement is expressly subject to receipt of the consents, opinions, approvals or notices required by the Indenture, to the extent modified by the Redemption Agreement.

Section 1.4 Authorized Representatives. The following persons are hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Governing Board, the Executive Director of the Department, the Director of Bond Finance of the Department, the Director of Multifamily Finance of the Department, the Director of Texas Homeownership of the Department, and the Secretary or any Assistant Secretary to the Governing Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Persons is authorized to act individually as set forth in this Resolution.

ARTICLE 2

GENERAL PROVISIONS

Section 2.1 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Governing Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with §2306.032 of the Texas Government Code, regarding meetings of the Governing Board.

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

PASSED AND APPROVED this 10th day of April, 2014.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

REDEMPTION AGREEMENT

\$14,350,000
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
MULTIFAMILY HOUSING REVENUE BONDS
(TRANQUILITY BAY APARTMENTS)
SERIES 2004

THIS REDEMPTION AGREEMENT, dated as of April 1, 2014 (the "Agreement"), is by and among the Texas Department of Housing and Community Affairs, as issuer (the "Issuer") of the above-captioned bonds (the "Bonds"), U.S. Bank National Association, as successor trustee to The Bank of New York Trust Company, N.A. (the "Trustee"), Embassy & Co. (the "Bondholder") and Tranquility Housing, Ltd., a Texas limited partnership (the "Borrower"), and is entered into to effect the redemption of the Bonds issued pursuant to a Trust Indenture dated as of June 1, 2004, (the "Indenture") by between the Issuer and the Trustee. Capitalized terms used in this Agreement and not otherwise defined herein have the meanings given to such terms in the Indenture.

RECITALS:

WHEREAS, the Bondholder has agreed to waive the lockout provisions set forth in Section 3.3(a) of the Indenture and all notices and any other provisions of the Indenture that would otherwise preclude the redemption of the Bonds pursuant to the terms set forth herein; and

WHEREAS, the Borrower has caused certain amounts (the "Redemption Deposit") to be transferred to the Trustee, together with the amounts held in certain funds and accounts established under the Indenture, sufficient in the aggregate to redeem the Bonds in whole at a redemption price of 105% of the outstanding principal amount of the Bonds plus accrued and unpaid interest thereon from the prior Interest Payment Date up to but excluding April 17, 2014 (the "Redemption Date"); and

WHEREAS, upon the Trustee's receipt of the Redemption Deposit and the other items set forth herein and under the Indenture, the parties hereto are desirous of undertaking the actions required under the Indenture in order to redeem the Bonds, discharge the lien of the Indenture and release (or otherwise cancel) the Note and Security Instrument and any UCC financing statements held thereunder on or promptly following the Redemption Date; and

WHEREAS, the Issuer desires and the Trustee agrees that the Issuer's execution of this Agreement shall constitute irrevocable instructions to redeem the Bonds as set forth herein.

AGREEMENT:

NOW, THEREFORE, in consideration of the premises and in order to provide for the aforesaid arrangements, the parties hereto hereby agree as follows:

Section 1. In order to redeem the Bonds on the Redemption Date, the following actions shall be undertaken prior to or simultaneously, as applicable, with the receipt by the Trustee of an amount equal to \$13,835,653.10 (the "Redemption Deposit") from or on behalf of the Borrower:

- (a) The Trustee hereby acknowledges receipt from or at the direction of the Borrower or Servicing Agent, in the form of a federal funds wire or other good funds, of the Redemption Deposit. Upon receipt of the Redemption Deposit, the Trustee is hereby instructed by the Issuer and Borrower to deposit it uninvested, along with other funds on hand as follows: (i) \$13,572,012.69 of such

amount into the Principal Account of the Revenue Fund, (ii) \$445,745.29 of such amount into the Interest Account of the Revenue Fund and (iii) \$50,000 of such amount into the Fee and Expense Account of the Revenue Fund, each as established under Article IV of the Indenture.

- (b) With respect to the Bonds, the Trustee has established the Redemption Date as the date on which the amounts deposited and held in the Revenue Fund will be applied to pay the interest and principal of the Bonds and redemption premium in the aggregate amount of \$678,600.63 (the "Redemption Premium"), less \$272,063.38 already paid by the Borrower to the beneficial holder of the Bonds, on the Redemption Date in accordance with the Indenture and this Agreement.
- (c) The Borrower hereby instructs the Trustee to apply all funds deposited in the Principal Account and the Interest Account of the Revenue Fund needed to pay the principal, interest and Redemption Premium due on the Bonds outstanding on the Redemption Date provided that the Bondholder has waived all applicable redemption lockout and notice provisions under the Indenture.
- (d) The Trustee certifies the following amounts are due and payable with respect to the Bonds on the Redemption Date:

Principal:	\$13,572,012.69
Interest:	39,208.04
Premium:	<u>406,537.25</u>
Total:	14,017,757.98

- (e) The Borrower hereby instructs the Trustee to apply all funds deposited in the Fee and Expense Account of the Revenue Fund to pay on the Redemption Date the amounts set forth and to the parties listed in Exhibit A hereto.
- (f) Upon the redemption of all Bonds and all other amounts due under the Indenture, the Issuer and the Borrower hereby instruct the Trustee to transfer any amounts held by it in any fund or account (excluding the Rebate Fund) maintained under the Indenture to the Borrower.

Section 2. The Trustee hereby acknowledges that, upon deposit of the Redemption Deposit as described in Section 1(a) above, it will be in possession of moneys that are sufficient to (a) pay the interest due on the Bonds on the Redemption Date, (b) pay principal of the Bonds on the Redemption Date and (c) pay the Redemption Premium on the Bonds pursuant to the payment information currently used for remitting debt service on the Bonds to the Bondholder.

Accordingly, on the Redemption Date or promptly thereafter, the Trustee agrees upon receipt of the Redemption Deposit to cancel the Note held under the Indenture, and to relinquish and release the Trustee's rights in the real and personal property constituting a part of the property pledged under the Indenture, including the Note and the Security Instrument, and to evidence the discharge of the lien of the Indenture. The Trustee shall execute and deliver such other documents, and take such further actions, reasonably required by the Issuer or the Borrower in order to carry out the purposes of this paragraph; provided, however, that the Trustee shall not be obligated to expend any of its own funds in connection with the preparation, execution or filing of such documents or the undertaking of such actions.

Section 3. The Trustee shall not be liable or responsible because of the failure of any of the other parties to this Agreement to perform any act required of each of them hereunder or because of the loss of any moneys arising through the insolvency or the act or default or omission of any depository, other than itself, in which such moneys shall have been deposited. The liability of the Trustee and the Issuer

hereunder to make payments due and payable with respect to the Bonds as provided herein is limited to the availability of amounts on deposit under the Indenture. The Trustee shall be entitled to the immunities, powers, privileges and protections granted the Trustee in the Indenture and the related Loan and Financing Agreement as if set forth herein in their entirety.

Section 4. Upon payment in full of the principal of and Redemption Premium and interest due on the Bonds as described herein, all obligations of the Trustee and the Issuer under this Agreement and the Indenture shall cease and terminate.

Section 5. The Borrower acknowledges and agrees that notwithstanding the prepayment of the loan and discharge of the Indenture, the Borrower shall continue to pay the Issuer Compliance Fee as described in the Financing Agreement.

Section 6. To the best of Borrower's knowledge, there is no pending or threatened lawsuit, investigation or other proceeding regarding the taxability of interest on the Bonds and that, to the best of the Borrower's knowledge, there exist no facts or conditions which, with the passage of time or with notice, could result in interest on the Bonds being included in the Gross Income for federal income tax purposes.

Section 7. The Trustee certifies that all amounts due and payable to it in connection with the Bonds have been paid.

Section 8. This Agreement may be executed in any number of counterparts, each of which shall constitute but one and the same instrument.

Section 9. This Agreement shall be governed by and construed in accordance with the laws of the State of Texas applicable to contracts made and performed in Texas.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date hereof.

**TEXAS DEPARTMENT OF HOUSING AND
COMMUNITY AFFAIRS,**
as Issuer

By: _____
Its: Authorized Officer

[Signature pages continued on next page]

[Counterpart Signature Page to Redemption Agreement]

TRANQUILITY HOUSING, LTD.,
a Texas limited partnership

By: Tranquility Housing GP, LLC a Texas limited
liability company, its general partner

By: _____
H. Chris Richardson, Manager

[Signature pages continued on next page]

[Counterpart Signature Page to Redemption Agreement]

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Its: Authorized Signatory

[Signature pages continued on next page]

[Counterpart Signature Page to Redemption Agreement]

EMBASSY & CO.,
registered nominee for U.S. Bank Trust
National Association, as custodian

By: _____
Name: _____
Title: _____

Acknowledged and Agreed:

TE BOND SUBSIDIARY, LLC, as Beneficial Owner

By: Merrill Lynch Portfolio Management, Inc.
As holder of 100 percent of the Common Stock of
TE Bond Subsidiary, LLC

By: _____
Edward Curland, Authorized Signatory

EXHIBIT A

Schedule of Payments Referred to in Section 1(d) of the Agreement:

<u>Payee</u>	<u>Amount to be Paid</u>
Texas Department of Housing and Community Affairs	\$5,210.00
Bond Counsel (Bracewell & Giuliani LLP)	7,500.00
Trustee Termination Fee (U.S. Bank National Association)	2,500.00
Trustee Counsel Fee (McGuire, Craddock & Strother)	5,227.37
Rebate Analyst, Final Calculation	500.00
Bondholder's Counsel Legal Fees	2,000.00
Borrower's Counsel (Eichner Norris & Neumann)	25,000.00
Miscellaneous	2,062.63
Total	\$50,000.00

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<p style="text-align: center;">BOARD REPORT ITEM</p> <p style="text-align: center;">PROGRAM PLANNING, POLICY, AND METRICS (3PM)</p> <p style="text-align: center;">APRIL 10, 2014</p>
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Presentation on the Department Quarterly Snapshot tool.

BACKGROUND

The Program Planning, Policy, and Metrics group (“3PM”) was established in the spring of 2012 with the purpose of promoting an agency-wide use of uniform metrics as a key management tool. 3PM has been coordinating efforts to enhance interdivisional efficiency and to create uniform cross agency reporting and performance tools. One of 3PM’s priorities since its inception has been the creation of the “Department Snapshot.” The Snapshot is intended to give Board members and stakeholders a quick reference resource to gauge where each program stands in meeting its highest level objectives, chiefly expenditures.

A companion document, the Snapshot User Guide, is located on the Department’s website. It is available at <http://tdhca.state.tx.us/metrics> for any reader interested in learning more about the report as well as the business and technical definitions for each program.

Quarterly Snapshot Department Level

Program Type	Program	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units	Persons Served	Demolished Properties
					Retained	Expended	% Expended											
Single Family	MCC	\$ 180,200,200	N/A	\$ 180,200,200	N/A	N/A	N/A	\$ 180,200,200	\$ 10,586,889	\$ 169,613,311	94.1%		\$ 212,080,458	61.9%		1,500		
	TMP	\$ 600,000,000	N/A	\$ 600,000,000	N/A	N/A	N/A	\$ 600,000,000	\$ 289,885,949	\$ 310,114,051	51.7%		\$ 279,057,704	46.5%		2,106		
	HOME	\$ 256,486,748	\$ 23,560,034	\$ 280,046,782	\$ 14,637,611	\$ 14,379,268	0%	\$ 265,409,172	\$ 17,958,870	\$ 247,450,302	93.2%		\$ 188,690,561	71.1%		5,071		
	NSP	\$ 93,427,861	\$ 4,883,981	\$ 98,311,842	\$ 6,597,792	\$ 5,977,223	90.6%	\$ 91,714,050	\$ 78,699	\$ 91,635,351	99.9%		\$ 78,243,718	85.3%		1,923		161
	HTF	\$ 27,997,257	\$ 1,404,634	\$ 29,401,891	\$ 1,204,859	\$ 810,047	67.2%	\$ 28,197,032	\$ 705,334	\$ 27,491,698	97.5%		\$ 22,441,422	79.6%		580		
	CSHC	\$ 10,417,048	\$ -	\$ 10,417,048	\$ 139,886	\$ 50,263	35.9%	\$ 10,277,162	\$ 2,183,334	\$ 8,093,828	78.8%		\$ 2,960,833	28.8%		101	25,311	
Multi-Family	9% HTC	\$ 58,633,207	\$ 2,915,861	\$ 61,549,068	N/A	N/A	N/A	\$ 61,549,068	\$ 1	\$ 61,549,067	100%		N/A	N/A	N/A	0		
	4% HTC	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 6,372,608	100%		\$ -	0%		2,152		
	MF Bonds	\$ -	N/A	\$ -	N/A	N/A	N/A	\$ -	\$ -	\$ -	0%		N/A	N/A	N/A	0		
Community Affairs	LIHEAP	\$ 255,820,355	N/A	\$ 255,820,355	\$ 9,294,247	\$ 3,273,707	35.2%	\$ 246,526,108	\$ 25,446,656	\$ 46,648,186	89.7%		\$ 12,792,986	39.1%		2,654		
	CEAP												\$ 83,644,699					
	ESG	\$ 6,944,311	N/A	\$ 6,944,311	\$ 260,410	\$ 143,568	55.1%	\$ 6,683,901	\$ -	\$ 6,683,901	100%		\$ 2,141,310	32.0%			10,675	
	HHSP	\$ 5,000,000	N/A	\$ 5,000,000	N/A	N/A	N/A	\$ 5,000,000	\$ 1,876,261	\$ 3,123,739	62.5%		\$ 606,019	12.1%			2,712	
	CSBG	\$ 62,401,160	N/A	\$ 62,401,160	\$ 2,224,362	\$ 315,039	14.2%	\$ 60,176,799	\$ 23,885,374	\$ 36,291,425	60.3%		\$ 27,285,232	45.3%			416,126	
	BSCC	\$ 50,000	N/A	\$ 50,000	N/A	N/A	N/A	\$ 50,000	\$ -	\$ 50,000	100%		\$ 26,154	52.3%				
	Section 8	\$ 6,450,022	N/A	\$ 6,450,022	\$ 555,334	\$ 71,059	12.8%	\$ 5,894,688	\$ -	\$ 5,894,688	100%		\$ 909,159	15.4%		815		

Trendlines represent the percent Contracted and Expended for each program. The markers represent a past quarter represented on a Snapshot.

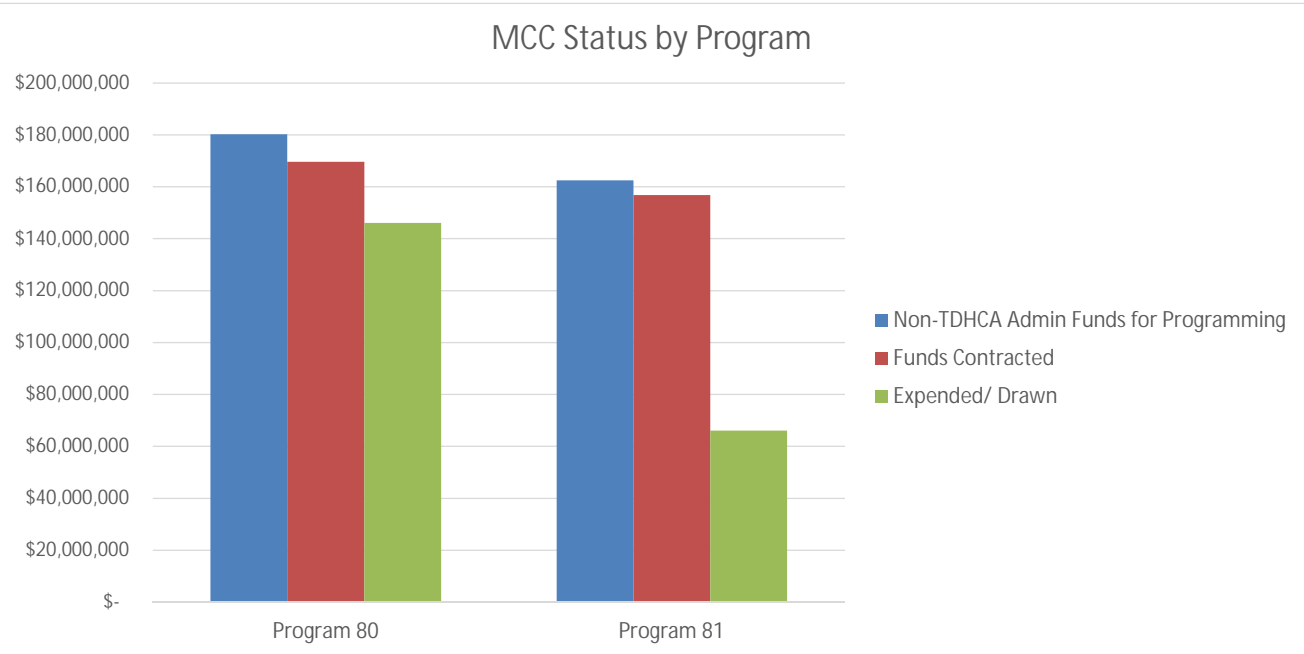
Performance data varies from program to program. Some programs track "Units" or "Households." Others track "Persons Served" or "Properties." For most programs, only one of the measures of performance is represented. For those where more are represented, the figures do not overlap but instead represent separate services.

Quarterly Snapshot

Program Area - Mortgage Credit Certificate

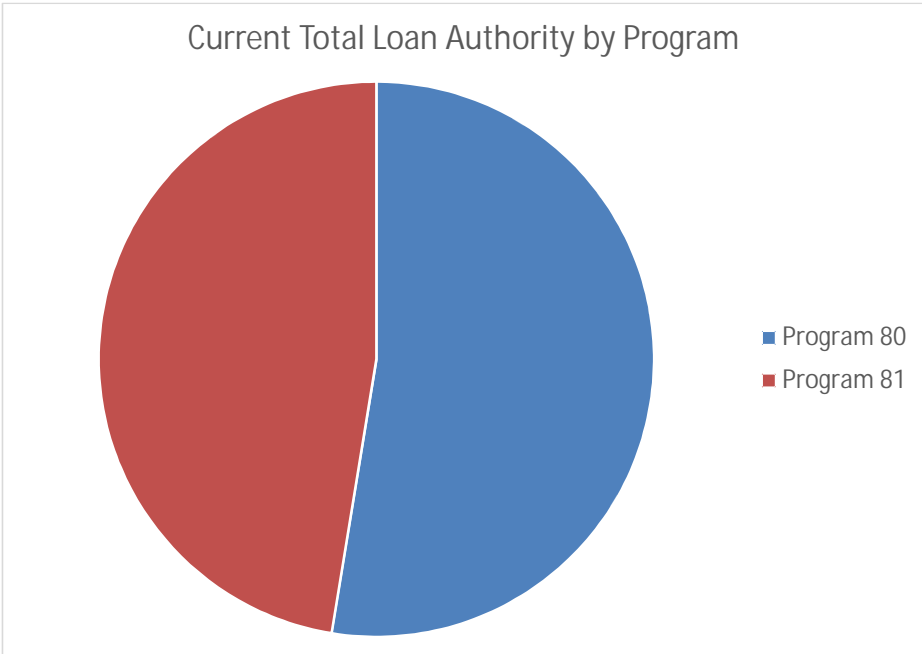
MCC Program	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units	Deadline
				Retained	Expended	% Expended										
Program 80	\$ 180,200,200	N/A	\$ 180,200,200	N/A	N/A	N/A	\$ 180,200,200	\$ 10,586,889	\$ 169,613,311	94.1%		\$ 146,032,979	81.0%		1,025	N/A
Program 81	\$ 162,500,000	N/A	\$ 162,500,000	N/A	N/A	N/A	\$ 162,500,000	\$ 5,674,997	\$ 156,825,003	96.5%		\$ 66,047,479	40.6%		475	N/A
Total	\$ 342,700,200	N/A	\$ 342,700,200	N/A	N/A	N/A	\$ 342,700,200	\$ 16,261,886	\$ 326,438,314	95.3%		\$ 212,080,458	61.9%		1,500	N/A
Prog. Terms	Loan Authority			Loan Authority			Issued	Original		Committed in Pipeline						

The purpose of the Program Area Snapshot is to articulate some of the attributes of the program that make it unique. These items cannot usually be articulated on the Department Snapshot, which necessitate a closer look. For the MCC program, one unique attribute is that the program uses different terminology than "awarded," "contracted," and "expended." To clarify those distinctions, the "Prog. Terms" row was added to show the terminology used by staff in the program area. Hopefully this information will not only clarify how the program fits into the Snapshot and its comparable stages, but will also help in any communications with the program area.



The bar chart shows the status of each MCC program. The chart shows the progress of the total loan authority as its Committed in the Pipeline and then Issued. The blue lines show how much funding is intended to go to the subrecipients or households. This is essentially the yardstick by which we can measure progress. The red bar shows the amount contracted. For example, the red bar for Program 80 shows that roughly 93% of the Total Loan Authority has been obligated, also referred to as Committed in the Pipeline. Finally, the green bar indicates the amount of funds that have been expended, also referred to in the MCC program as "Issued." In the MCC program, the issuance of credits is the goal of the program and thus the final metric used to determine progress.

As one might expect, the older program is further along in the final goal of full expenditures where the most recent year is moving along but not as fully expended.



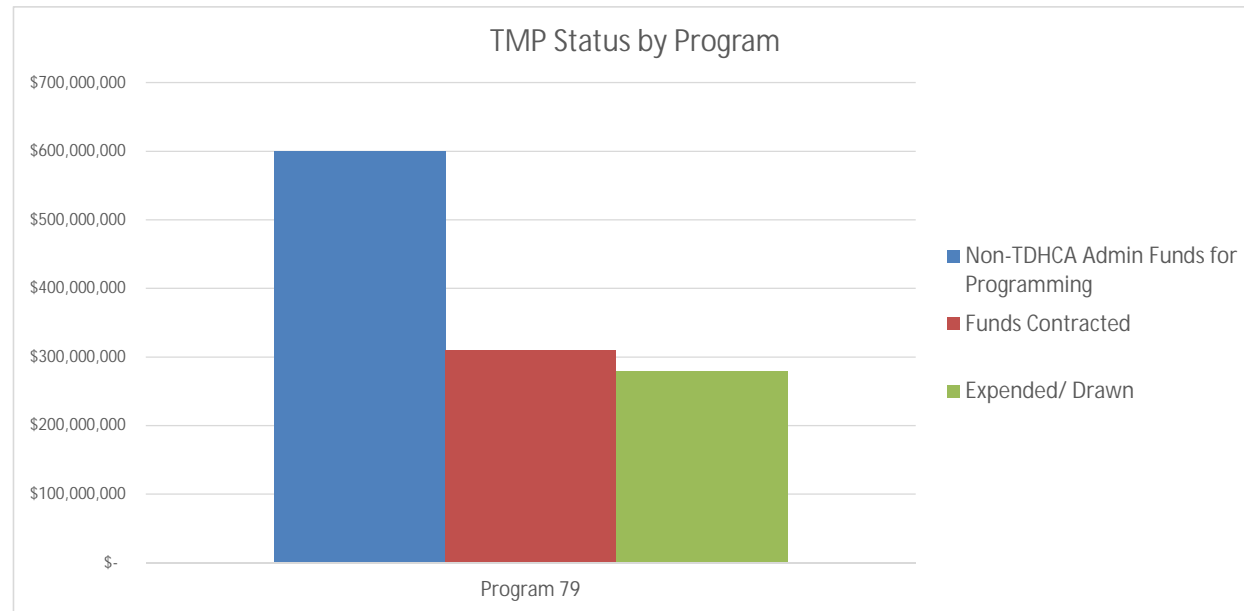
TDHCA's MCC program is split into Programs 80 and 81. As the above chart shows, the \$342,700,200 in current Total Loan Authority is split between the two programs. Just under half is for the newer program 81 whereas just over half is for Program 80.

Quarterly Snapshot

Program Area - My First Texas Home (TMP)

TMP Program	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units	Deadline
				Retained	Expended	% Expended										
Program 79	\$ 600,000,000	N/A	\$ 600,000,000	N/A	N/A	N/A	\$ 600,000,000	\$ 289,885,949	\$ 310,114,051	51.7%		\$ 279,057,704	46.5%		2,106	N/A
Prog. Terms	Program Cap		Program Cap				Program Cap		Reservations & Compliance			Purchased/Servicer & Investor/Trustee				

The purpose of the Program Area Snapshot is to articulate some of the attributes of the program that make it unique. These items cannot usually be articulated on the Department Snapshot, which necessitate a closer look. For the TMP program, one unique attribute is that the program uses different terminology than "awarded," "contracted," and "expended." To clarify those distinctions, the "Prog. Terms" row was added to show the terminology used by staff in the program area. Hopefully this information will clarify how the program fits into the Snapshot and its comparable stages.



The bar chart shows the status of the TMP program. The chart shows the progress of the funds as they come through the initial Reservations & Compliance stage (blue bar), go through Underwriting Certifications & Exceptions (red bar), and then finally the loans are Purchased (green bar). These stages, respectively, are comparable to the Award, Contracted, and Expended phases of other programs. Unlike the MCC program, there is currently only a single TMP program. The chart above shows that of the \$600M program cap, 51% or about \$310M has reached the Reservations & Compliance stage (or Contracted in the Snapshot). Further, 47% or about \$279M in loans have been purchased by a Servicer or Investor/Trustee (Expended). For the TMP program, the purchase of the loans are the funds being put to their final purpose and are thus the final metric of success.

Quarterly Snapshot Program Area - HOME

Program Year	Award to Administrator	Program Income^^	Total Cumulative Funds	TDHCA Administrative Funds*			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units**
				Retained	Expended	% Expended									
2007	\$ 41,420,803		\$ 41,420,803				\$ 41,420,803	\$ -	\$ 41,420,803	100.0%		\$ 41,028,319	99.1%		719
2008	\$ 40,043,225		\$ 40,043,225				\$ 40,043,225	\$ 882,083	\$ 39,161,142	97.8%		\$ 35,988,491	89.9%		544
2009	\$ 43,933,530		\$ 43,933,530				\$ 43,933,530	\$ 3,418,725	\$ 40,514,805	92.2%		\$ 35,473,755	80.7%		385
2010	\$ 43,593,825		\$ 43,593,825				\$ 43,593,825	\$ 2,388,929	\$ 41,204,896	94.5%		\$ 30,926,369	70.9%		818
2011	\$ 39,180,788		\$ 39,180,788				\$ 39,180,788	\$ 1,761,488	\$ 37,419,300	95.5%		\$ 21,641,356	55.2%		573
2012	\$ 24,284,636		\$ 24,284,636				\$ 24,284,636	\$ 2,698,532	\$ 21,586,104	88.9%		\$ 88,316	0.4%		710
2013	\$ 24,029,941		\$ 24,029,941				\$ 24,029,941	\$ 21,446,722	\$ 2,583,219	10.8%		\$ -	0.0%		0
HOME PI	N/A	\$ 23,560,034	\$ 23,560,034				\$ 23,560,034	\$ -	\$ 23,560,034	100.0%	N/A	\$ 23,543,953	99.9%	N/A	1,322
HOME Admin	\$ -	\$ -	\$ -	\$ 14,637,611	\$ 14,379,268	98.2%	\$ (14,637,611)	\$ (14,637,611)	\$ -	0.0%	N/A	\$ -	0.0%	N/A	N/A
Total	\$ 256,486,748	\$ 23,560,034	\$ 280,046,782	\$ 14,637,611	\$ 14,379,268		\$ 265,409,172	\$ 17,958,870	\$ 247,450,302	93.2%		\$ 188,690,561	71.1%		5,071

* TDHCA Administrative Funds figures are not available on a per year basis

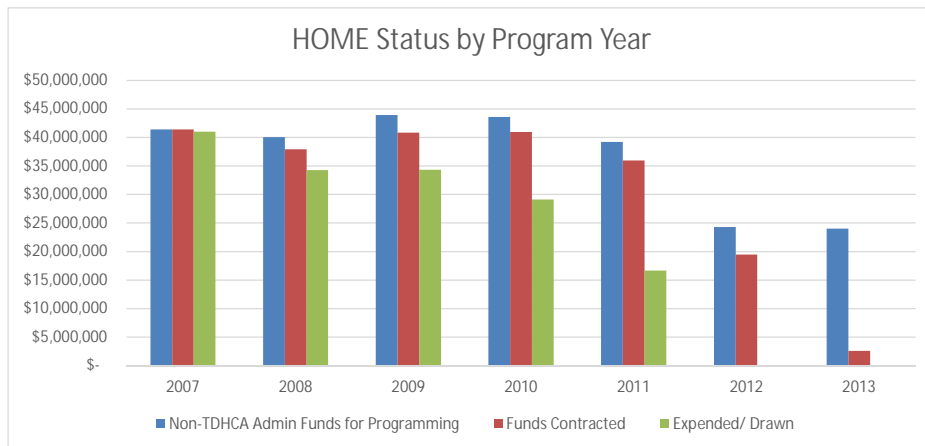
^^ Program Income is from Program Years 2005 - 2013

** HOME units are counted at commitment, divided proportionally across the contributing funding years

^ The HOME Snapshot represents both single family and multifamily activities

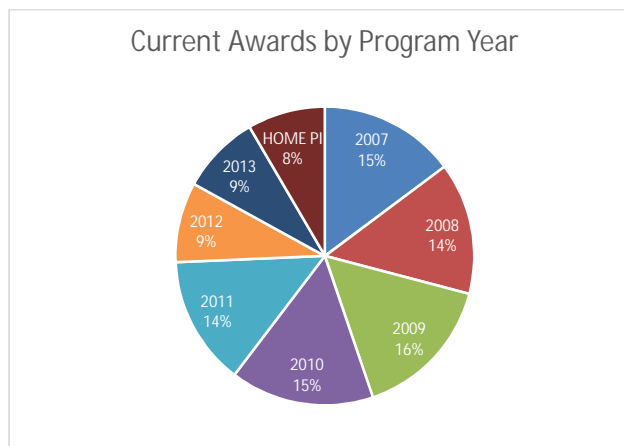
- Once a program year is reflected as being 100% expended, it will no longer be represented on the Snapshot

As the Trendlines show, there is fluctuation in the % Contracted and % Expended between quarters. This is due to the timing of Program Income. As PI is As the PI is committed and expended, the percentages rise again. The trendlines occasionally show dips due to Program Income and Deobligated funds. funds against a specific year, those years will show a decrease in the percentages Contracted and Expended. It is also important to note that with Trend point is relative to the values of each point. Thus, in one cell, a seemingly large vertical difference in values may be less than 1%, whereas in an adjacent distance represents 10%. The value of the trendlines is in reflecting relative change over time.

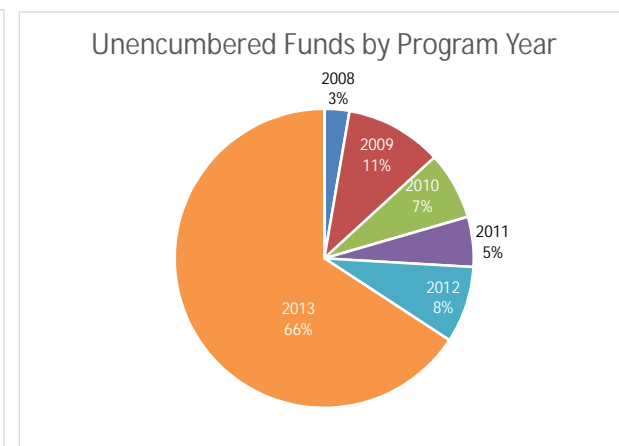


The bar chart shows the status of the program by program year. The chart shows the progress of the obligations and expenditures for awards to subrecipients in that year, not the actual obligations and expenditures that took place during that year. For example, the red line for 2007 shows that the entire ~\$41M in that year's award has been obligated. Some of that amount may have been obligated in more recent years. The above bar chart is a look at the status of a year's progress, not the activity that took place during that year.

The blue lines show how much funding was awarded to TDHCA for Administrators in that year. This is essentially the yardstick by which we can measure progress. The red lines show the funds that have been obligated by executed contract or reservation setup agreement. As one might expect, the older years are fully obligated where the most recent year is moving along but not fully obligated. The green line represents expenditures, the final metric the Snapshot uses to measure progress.



This pie chart simply shows the distribution of funds for the HOME program from HUD across the program years. For example, of the roughly \$256M TDHCA is administering, most of it is split into program years equalling about 14% or ~\$40M until 2011 when the award amount began declining.



HUD Performance Metrics		
Metric	Due Date	Progress
Commitment	4/30/2014	98.9%
Draw	6/30/2014	100%

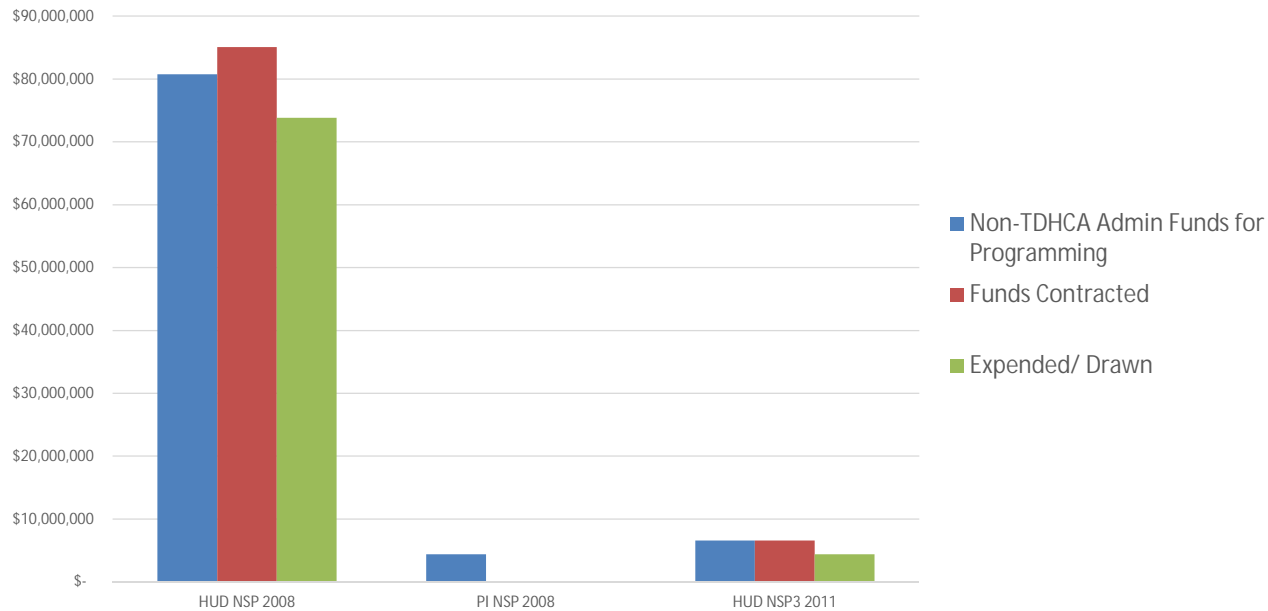
The primary HUD metric for determining the status of the HOME program throughout each year is our progress in the above table. HUD determines that by certain dates, a certain amount of both draws (expenditures) must be reached and then later, a certain amount of funds must be committed. As is shown in the above table, TDHCA met its deadline for amount drawn.

Quarterly Snapshot

Program Area - Neighborhood Stabilization Program (NSP)

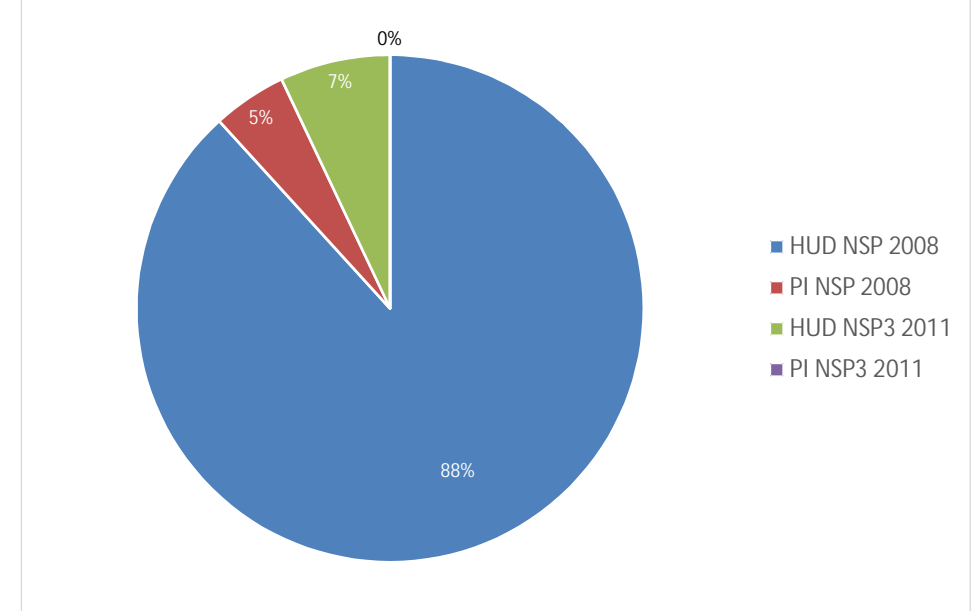
Program	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units	Demolished Properties
				Retained	Expended	% Expended										
HUD NSP 2008	\$ 86,142,883	\$ -	\$ 86,142,883	\$ 5,380,896	\$ 5,377,355	99.9%	\$ 80,761,987	\$ 78,699	\$ 85,078,871	99.9%	↔	\$ 73,845,696	91.4%	↗	1,878	161
PI NSP 2008	\$ -	\$ 4,883,981	\$ 4,883,981	\$ 488,398	\$ -	0%	\$ 4,395,583				↔	\$ -	0.0%	↔	0	0
HUD NSP3 2011	\$ 7,284,978	\$ -	\$ 7,284,978	\$ 728,498	\$ 599,868	82.3%	\$ 6,556,480	\$ 0	\$ 6,556,480	100%	↔	\$ 4,398,022	67.1%	↗	45	0
PI NSP3 2011	\$ -	\$ -	\$ -	\$ -	\$ -	0%	\$ -	\$ -	\$ -	0%	↔	\$ -	0.0%	↔	0	0
Total	\$ 93,427,861	\$ 4,883,981	\$ 98,311,842	\$ 6,597,792	\$ 5,977,223	90.6%	\$ 91,714,050	\$ 78,699	\$ 91,635,351	100%	↗	\$ 78,243,718	85.3%	↗	1,923	161

Program Progress by Funding Source



The bar chart shows the status of NSP by program. The chart shows the progress of the obligations and expenditures for awards to subrecipients. The blue bars show how much funding was awarded to TDHCA for subrecipients under that program. This is essentially the yardstick by which we can measure progress. The red bars show the funds that have been obligated by executed contract. As one might expect, the older program is more fully obligated where the most recent program is moving along but as far. The green bars represent expenditures, the final metric the Snapshot uses to measure progress. NSP1 is over 85% drawn whereas the newer NSP3 is about 67% drawn.

Current Funding Amount by Source



This pie chart simply shows the distribution of funds for the Neighborhood Stabilization Program across multiple programs. For example, of the roughly \$98M TDHCA is administering, roughly 90% comes from the NSP1 program.

These figures will change over time as the NSP and NSP3 programs are eventually closed and the Program Income (PI) programs accrue additional funding.

Quarterly Snapshot

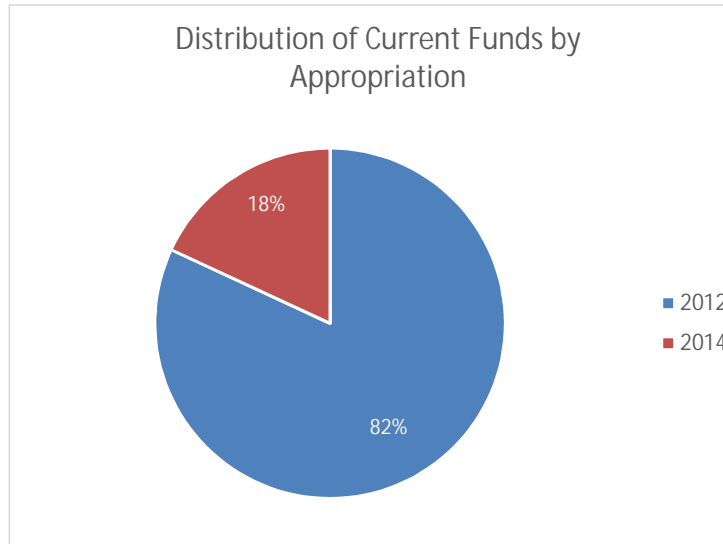
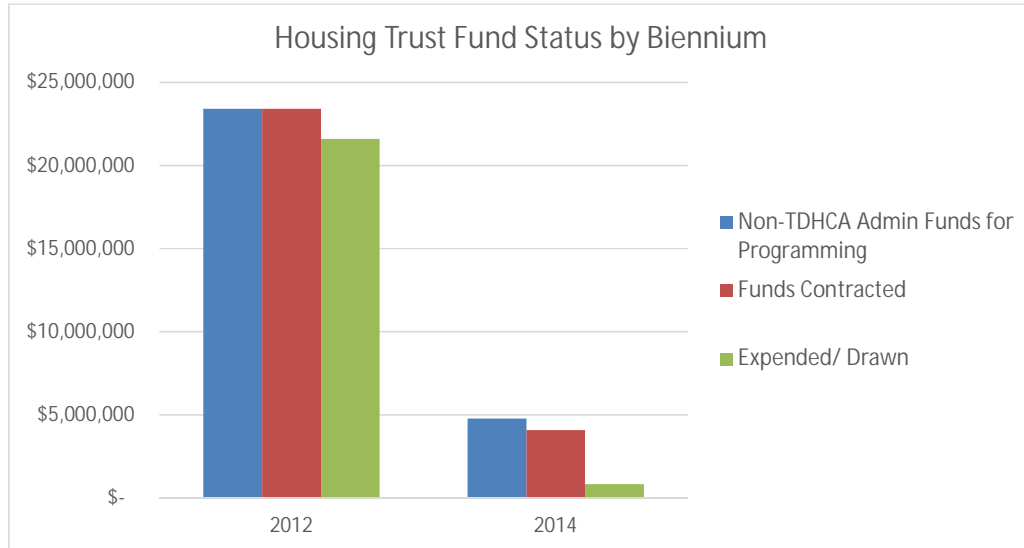
Program Area - Housing Trust Fund (HTF)

Biennium	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units	Deadline
				Retained	Expended	% Expended										
2012	\$ 24,081,766	\$ -	\$ 24,081,766	\$ 673,859	\$ 618,590	91.8%	\$ 23,407,907	\$ -	\$ 23,407,907	100.0%		\$ 21,602,558	92.3%		522	N/A
2014	\$ 3,915,491	\$ 1,404,634	\$ 5,320,125	\$ 531,000	\$ 191,457	36.1%	\$ 4,789,125	\$ 705,334	\$ 4,083,791	85.3%		\$ 838,864	17.5%		58	N/A
Total	\$ 27,997,257	\$ 1,404,634	\$ 29,401,891	\$ 1,204,859	\$ 810,047	67.2%	\$ 28,197,032	\$ 705,334	\$ 27,491,698	97.5%		\$ 22,441,422	79.6%		580	N/A

The trendlines show dips in the % Contracted and % Expended history. This is an effect of both the 2010/2011 biennium being closed as well as the 2014/2015 biennium's funding coming online. These events both reduce the amount of Contracted and Expended funds in the total figure, thus lowering the percentages resulting in the dip.

The Q1 2014 Snapshot mistakenly reported the 2012 biennium units at 3,185. The correct number was 552.

The "Units" field includes all performance for activities closed during those years. The 2012 figure includes "households served" from certain HHSP contracts that received HTF funding during the 2012/2013 biennium.



This pie chart simply shows the distribution of funds for the Housing Trust Fund program across biennia. For example, of the roughly \$29M TDHCA is administering, almost 80% comes from the 2012 biennium.

The bar chart shows the status of the program by biennium. The chart shows the progress of the obligations and expenditures for appropriations in that biennium, not the actual obligations and expenditures that took place during that biennium. For example, the red line for 2012 shows that the entire ~\$24M in that biennium's appropriation has been obligated. Some of that amount may have been obligated in the most recent biennium. Additionally staff may have finished obligating the 2010/11 biennium during 2012, so the amount actually obligated during the biennium may have been different. The above bar chart is a look at the status of a biennium's progress, not the activity that took place during that biennium.

The blue lines show how much funding was available in the biennium. This is essentially the yardstick by which we can measure progress. The red lines show the funds that have been obligated by executed contract or reservation setup agreement. As one might expect, the older biennium is fully obligated where the most recent biennium is far along but not fully obligated. The green line represents expenditures, the final metric the Snapshot uses to measure progress. The 2012 biennium's appropriation is almost expended (87%) while the newest appropriation has yet to expend funds.

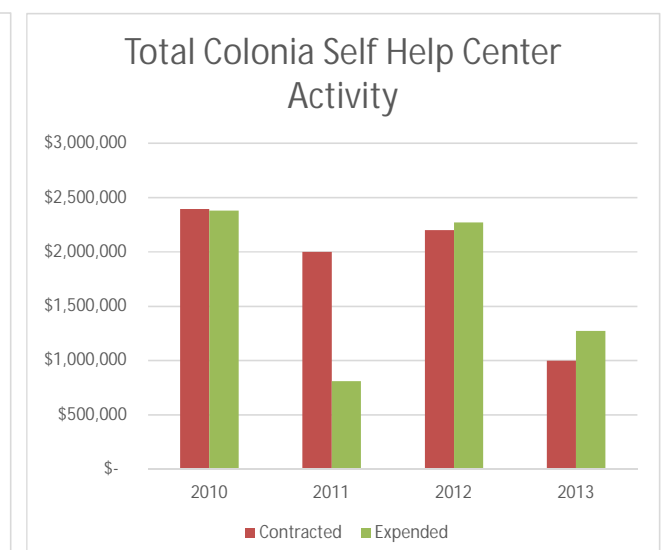
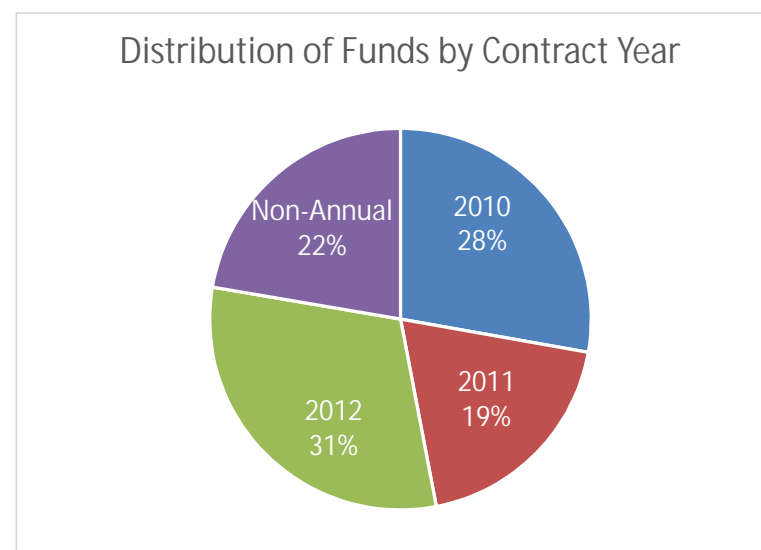
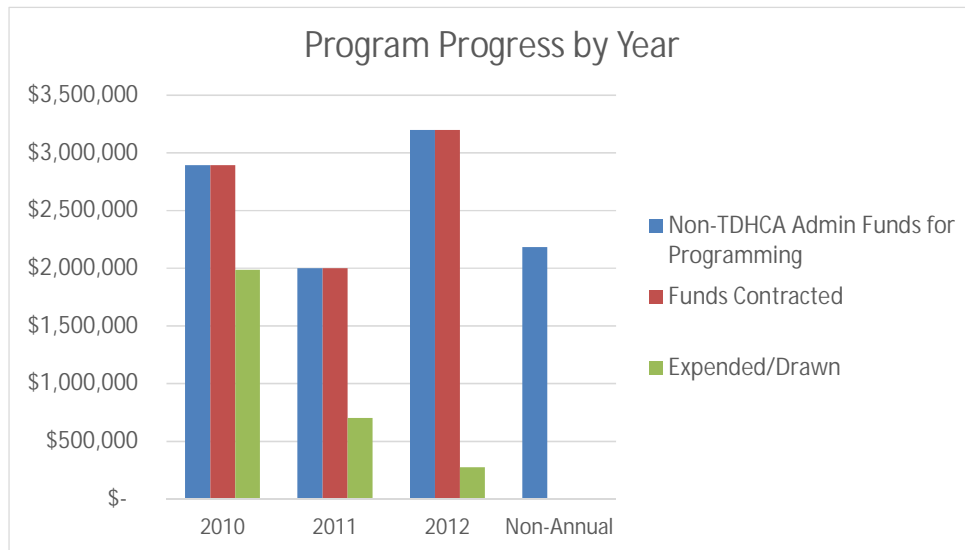
The PI will never show "Funds Contracted" nor "Expended/Drawn." This is due to the fact that PI is not strictly tied to a year/biennium, so it is portrayed in its own row. Once it is programmed and committed, it will be part of a specific biennium. That amount will then be shown within that biennium and no longer in the separate PI row.

Quarterly Snapshot

Program Area - Colonia Self Help Centers

Program	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units	Persons Served
				Retained	Expended	% Expended										
2010	\$ 2,893,828	\$ -	\$ 2,893,828				\$ 2,893,828	\$ -	\$ 2,893,828	100%	←→←→←→	\$ 1,984,651	68.6%	←→←→←→	31	13,700
2011	\$ 2,000,000	\$ -	\$ 2,000,000				\$ 2,000,000	\$ -	\$ 2,000,000	100%	←→←→←→	\$ 701,656	35.1%	←→←→←→	17	5,674
2012	\$ 3,200,000	\$ -	\$ 3,200,000				\$ 3,200,000	\$ -	\$ 3,200,000	100%	←→←→←→	\$ 274,526	8.6%	←→←→←→	53	5,937
Non-Annual	\$ 2,323,220	\$ -	\$ 2,323,220	\$ 139,886	\$ 50,263	35.9%	\$ 2,183,334	\$ 2,183,334	\$ -	0.0%	←→←→←→	\$ -	0.0%	←→←→←→	0	0
Total	\$ 10,417,048	\$ -	\$ 10,417,048	\$ 139,886	\$ 50,263	35.9%	\$ 10,277,162	\$ 2,183,334	\$ 8,093,828	78.8%	←→←→←→	\$ 2,960,833	28.8%	←→←→←→	101	25,311

Due to the timing of the Snapshot publication and internal reporting, the figures above are the same as reported in the previous Snapshot except the Non-Annual "Award to Administer." The next quarterly Snapshot will include more months than is typical as the timing issue is resolved.



In this bar chart we see all funding years that currently have open contracts plus any unobligated funds. You may notice that 2009 saw no executed contracts. This is due to the timing of the funding awards and subrecipient's closing contracts. At the time funding became available, no subrecipients were available to take on additional funds so the contracts were awarded in 2010. Also, 2013 contracts have not yet been executed so those are not represented here either. Please note that the years on the horizontal axis represents activity on contracts executed in those years, not activity in a year. For example, the graph show lower expenditures (green) in 2012. The program expended almost \$2.3M in 2012, but on contracts executed prior to 2012.

The blue lines show how much funding was available in the contract year. This is essentially the yardstick by which we can measure progress. The red lines show the funds that have been obligated by executed contract. The chart shows that all contract years have fully obligated the funds. The unobligated amount ("Non-Annual") will, by definition, always show no contracted funds. The goal with this column is to move all of these funds into a program year, eventually having no funds in this column. The green bar shows the final goal, which is expenditure. As one would expect, the older contract years show higher levels of expenditure as they've been working longer than the newer contract years.

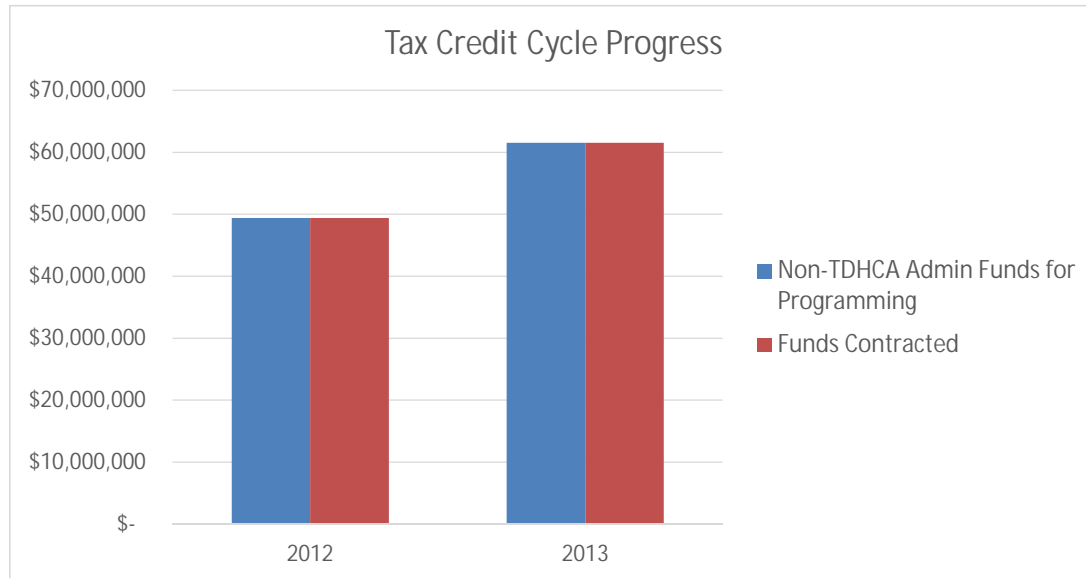
This pie chart simply shows the distribution of funds for the Colonia Self Help Centers across years. For example, of the roughly \$10.5M TDHCA is administering, over 30% comes from 2012. About 22% comes from either Unobligated or Non-Annual funds. The amount of Non-Annual funds (deobligations and admin) is typical just before a new series of awards. Within the next few months, new awards will be made and most of the "Non-annual" row will be moved into a new program year.

In contrast to the previous bar chart, the above chart shows activity during a given year. For example, in 2012 the program obligated approximately \$2M and spent about \$2.3M. Please note that these obligations and expenditures are across multiple years so no contract exceeded their allocation. This chart is focused on the activity of the program, as opposed to the progress of individual contract years.

Quarterly Snapshot

Program Area - 9% Housing Tax Credits (HTC)

Program Year	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units
				Retained	Expended	% Expended									
2012	\$ 56,484,298	\$ (7,089,748)	\$ 49,394,550	N/A	N/A	N/A	\$ 49,394,550	\$ -	\$ 49,394,550	100%	↔	N/A	N/A	N/A	5,161
2013	\$ 58,633,207	\$ 2,915,861	\$ 61,549,068	N/A	N/A	N/A	\$ 61,549,068	\$ 1	\$ 61,549,067	100%	↔	N/A	N/A	N/A	0
Program Terms		Fed Authorization	Returned/ Pool/Forwards							Carryover					



The 9% HTC program is unique in that the Snapshot at the Department-level will only show the current year. The funds are considered "contracted" when they have reached "Carryover." The next major programmatic threshold is the deals having 8609's issued. This stage will not be tracked because this stage happens approximately 2 years after the award of tax credits to the developer. By this time the Snapshot will already be focused on a new tax credit cycle. Thus, progress for 9% HTC shows the tax credit award in "Award to Administer" and progresses through the funds being contracted (having reached Carryover).

The "Program Terms" row shows the nomenclature of the program. This row helps to show how the unique aspects of the program fit within the Snapshot.

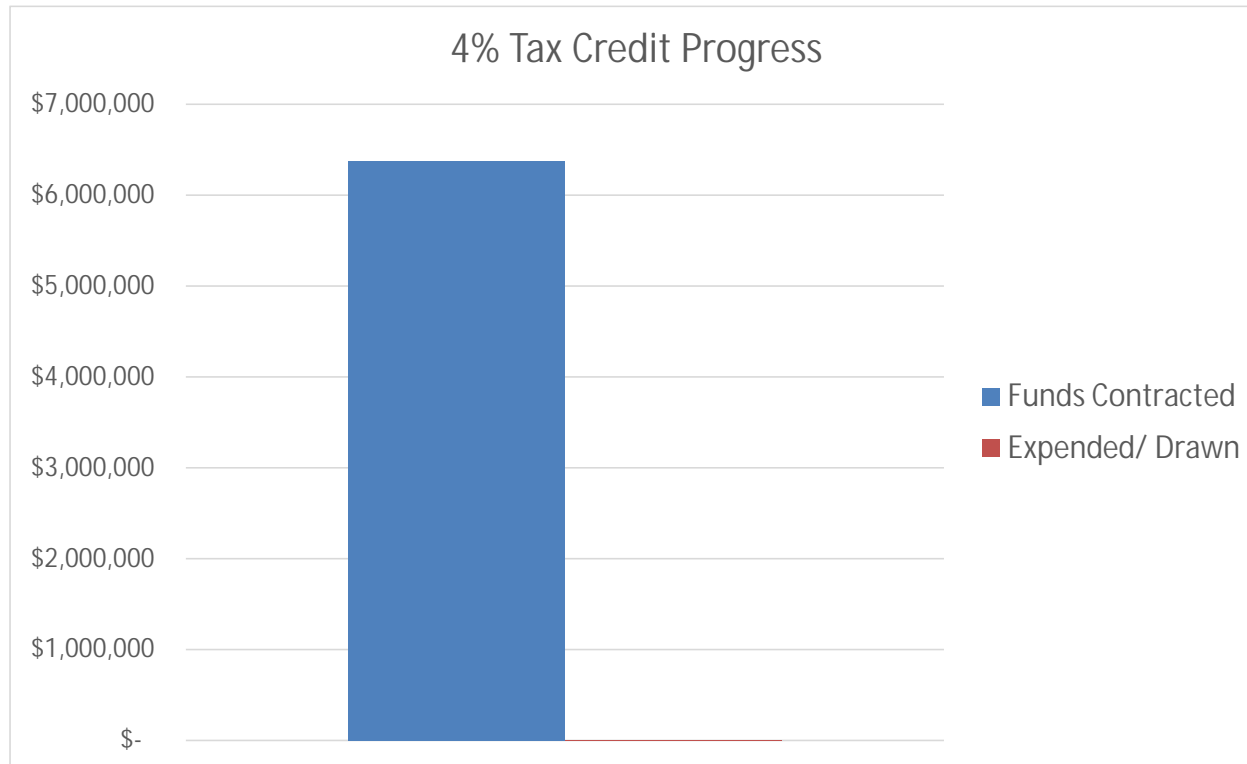
Notice that the Program Income for 2012 shows a negative number. This is possible due to forwards from the previous year. These forwards are an award of tax credits made from the next year's allocation. Thus, any forwards must be subtracted from the total allocation and combined with any Returned Credits or National Pool Credits. The table below shows the breakdown for the 2012 Program Income field.

Credit Type	Increase/ Decrease	Amount
Initial Allocation		\$ 56,484,298
2011 Forward	Decrease	\$ 8,376,635
Returned Credit	Increase	\$ 1,038,604
National Pool	Increase	\$ 248,283
Final 2012 Alloc.		\$ 49,394,550

Quarterly Snapshot

Program Area - 4% Housing Tax Credits (4% HTC)

Program Year	Award to Administer	Program Income	Total Cumulative	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units
				Retained	Expended	% Expended									
2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	\$ 6,372,608	100%	↔	\$ -	0%	↔	2,152
Program Terms								Determination Notice Issued			8609 Issued				



4% HTC deals do not have an award or authorization amount. In contrast to other programs that work to expend a certain amount of funds each cycle, the 4% HTC funds deals as they are proposed and approved. To track progress for this program the Snapshot defines "Funds Contracted" as the amount of funding in deals having had a Determination Notice issued. Progress for this program's Snapshot is defined as the percent of those deals that have a Determination Notice issued that then have 8609's issued. Similar to the 9% tax credit, developers typically take two years or more to complete the development and request 8609's. Thus, expended % are likely to remain low in the Snapshot report.

The "Program Terms" row shows the nomenclature of the program. This row helps to show how the unique aspects of the program fit within the Snapshot.

Quarterly Snapshot

Program Area - Multifamily Bond (MFBond)

Program	Award to Administer	Program Income	Total Cumulative	TDHCA Administrative Funds			Non-TDHCA Admin Funds for	Funds Unencumber	Funds Contracte	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units
				Retained	Expended	% Expended									
MF Bond	\$ -	N/A	\$ -	N/A	N/A	N/A	\$ -	\$ -	\$ -	0%	↔	N/A	N/A	N/A	0
Program Terms	Bond Review Board Designation								Closed Deals						

The MF Bond program does have an amount that in bonds it can issue set by the Bond Review Board. In this way it is more akin to other TDHCA programs. Progress for this program is similar to other programs in that progress is tracked by the amount of funds that are in deals that have closed as a percentage of the Designation authorized by the Bond Review Board.

As you can see from the data above, there are currently no MF Bond deals currently active. This is due to recent market forces that have made it difficult to realize financial viability with MF Bond deals. The visual components of the Program Area Snapshot for this program will be very similar to the other programs as active deals come into the program.

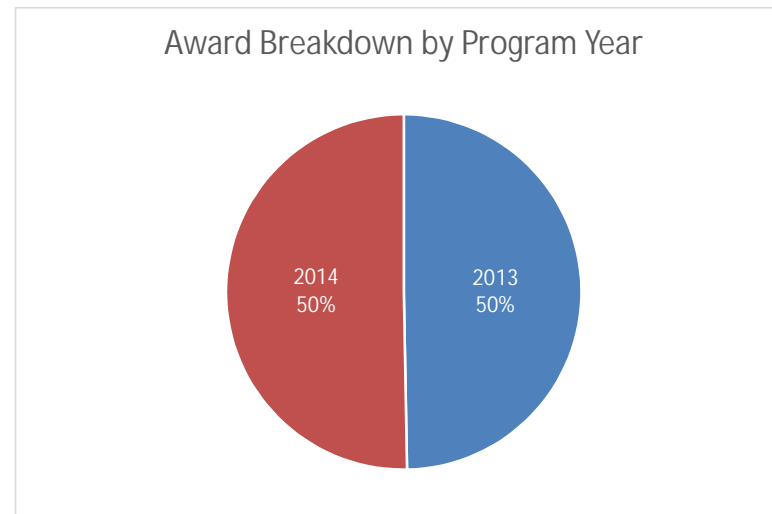
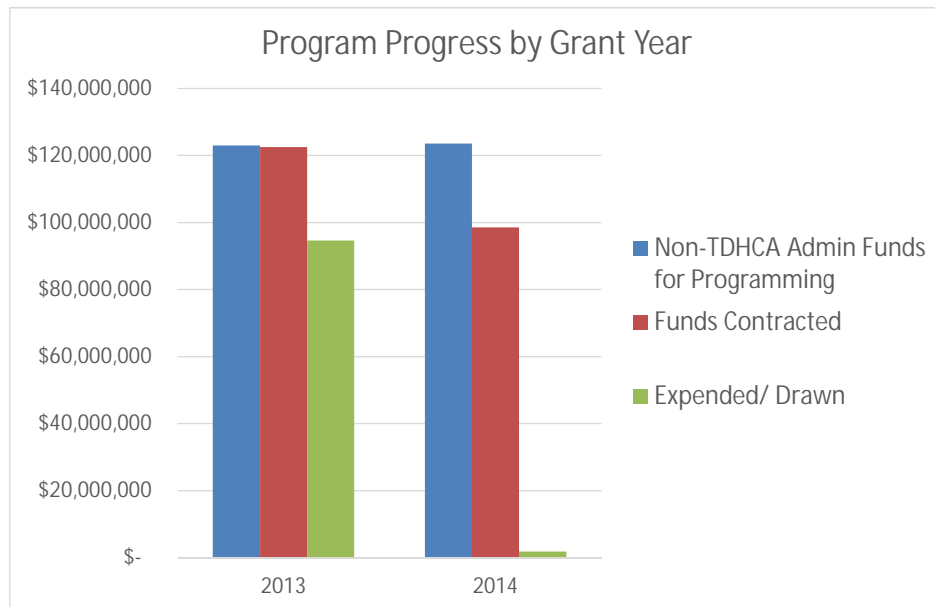
Quarterly Snapshot

Program Area - Low Income Housing Energy Assistance Program (LIHEAP)

Program	Year	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units	Persons Served
					Retained	Expended	% Expended										
LIHEAP	2013	\$ 127,134,103	N/A	\$ 127,134,103	\$ 4,146,798	\$ 2,025,745	48.9%	\$ 122,087,305	\$ 482,953	\$ 25,316,358	76.9%	↗	\$ 12,792,986			2,654	
CEAP																	
LIHEAP	2014	\$ 128,686,252	N/A	\$ 128,686,252	\$ 5,147,449	\$ 1,247,962	24.2%	\$ 123,538,803	\$ 24,963,703	\$ 21,331,828	79.8%	↗	\$ -	1.5%	↗	0	17,055
CEAP																	
LIHEAP	Total	\$ 255,820,355	N/A	\$ 255,820,355	\$ 9,294,247	\$ 3,273,707	35.2%	\$ 246,526,108	\$ 25,446,656	\$ -	89.7%	↗	\$ 12,792,986	39.1%	↗	2,654	
CEAP																	

TDHCA receives a grant for LIHEAP and breaks that single annual award into two programs: Comprehensive Energy Assistance Program (CEAP) and Low Income Housing Energy Assistance Program (LIHEAP). This is why many of the cells are merged in the Snapshot. The funds are not separated until they are Contracted, before that stage the funds are in a single pool.

Because there are only two data points for each trendline, the trendlines themselves become somewhat nondescript. Currently, all the trendlines show is that the percentages went up over the last quarter. With additional figures in the next Snapshot, the relative degree of change will be clear.



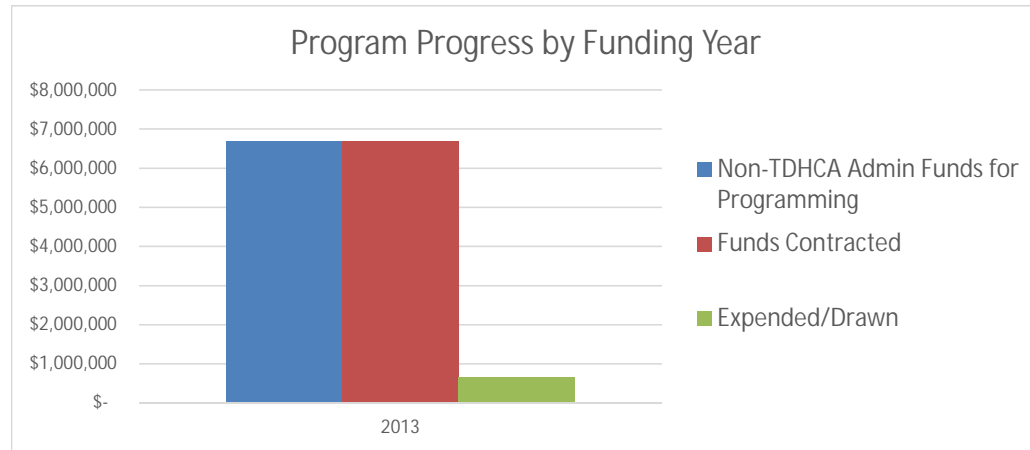
This pie chart shows the breakdown of the active LIHEAP grants (both LIHEAP and CEAP programs) by year. The grant years are very similar with the 2014 grant being just slightly higher than the 2013 grant.

The bar charts show the status of the CEAP/LIHEAP programs. The chart shows the progress of the funds as they are initially shown as funds going to subrecipients (blue bar), are obligated in contracts (red bar), and then finally expended (green bar). These charts are typical of TDHCA programs. The lighter bars on top show the LIHEAP progress while the darker portions of the bars are CEAP.

Quarterly Snapshot

Program Area - Emergency Solutions Grant (ESG)

Year	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/Drawn	% Expended	% Expended Trendline	Persons Served
				Retained	Expended	% Expended									
2013	\$ 6,944,311	N/A	\$ 6,944,311	\$ 260,410	\$ 143,568	55.1%	\$ 6,683,901	\$ -	\$ 6,683,901	100.0%	↔	\$2,141,310	32.0%	↗	10,675

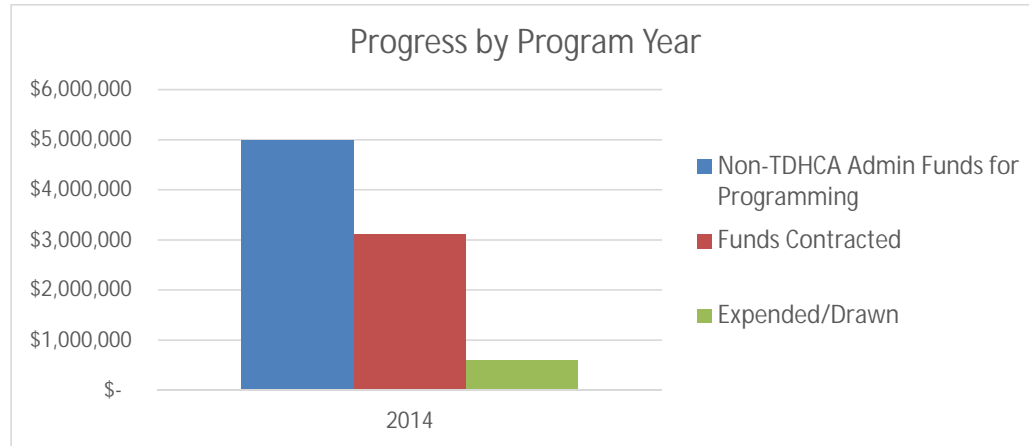


The bar chart shows the progress of the program broken down by program years. The blue bar represents the amount to go to the subrecipients. The red shows the amount under executed contracts whereas the green shows those funds that have been expended.

Quarterly Snapshot

Program Area - Housing and Homeless Services Program (HHSP)

Year	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/Drawn	% Expended	% Expended Trendline	Persons Served
				Retained	Expended	% Expended									
2014	\$ 5,000,000	N/A	\$ 5,000,000	N/A	N/A	N/A	\$ 5,000,000	\$ 1,876,261	\$ 3,123,739	62.5%		\$ 606,019	12.1%		2,712



The Housing and Homeless Services Program provides funding to the eight largest cities in support of services to homeless individuals and families including services such as case management and housing placement and retention.

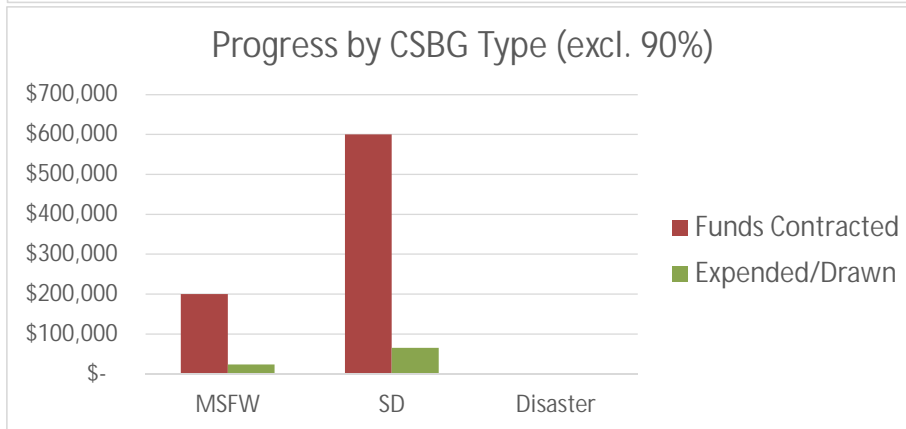
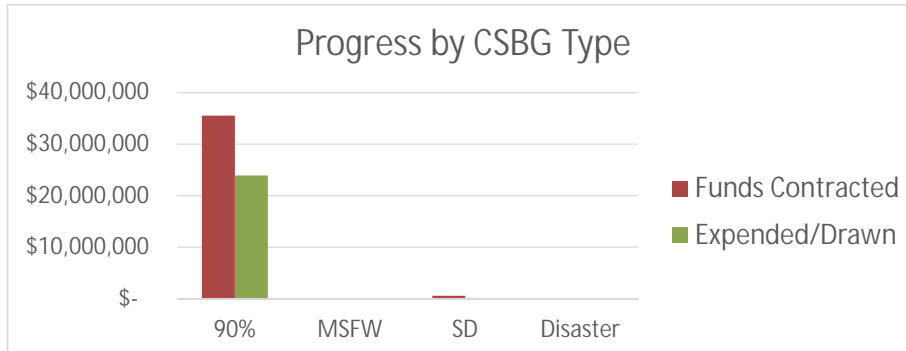
The bar chart shows the progress of the program broken down by program years. The blue bar represents the amount to go to the subrecipients. The red shows the amount under executed contracts whereas the green shows those funds that have been expended.

Quarterly Snapshot

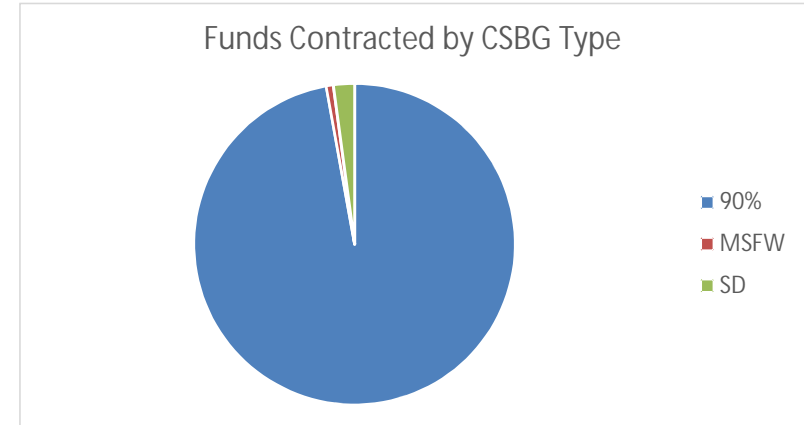
Program Area - Community Services Block Grant (CSBG)

Year	CSBG-Type	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/Drawn	% Expended	% Expended Trendline	Persons Served
					Retained	Expended	% Expended									
2013	90%	\$ 30,420,666	N/A	\$ 30,420,666	\$ 1,773,649	\$ 315,939	17.8%	\$ 28,647,017	\$ 468,417	\$ 27,378,600	90.9%	\$ 25,748,157	90.9%	↗	376,081	
	MSFW									\$ 200,000		\$ 96,088			140	
	SD									\$ 600,000		\$ 201,269			0	
2014	All	\$ 31,980,494	N/A	\$ 31,980,494	\$ 450,713	\$ -	0.0%	\$ 31,529,782	\$ 23,416,957	\$ 8,112,825	25.7%	\$ 1,239,718	3.9%	↗	39,905	
Total		\$ 62,401,160	N/A	\$ 62,401,160	\$ 2,224,362	\$ 315,039	14.2%	\$ 60,176,799	\$ 23,885,374	\$ 36,291,425	60.3%	\$ 27,285,232	45.3%	↗	416,126	

CSBG can be divided into multiple pools of funding. 90% is the amount set aside for Community Action Agencies. MSFW is Migrant/Seasonal Farm Worker and SD is State Discretionary.



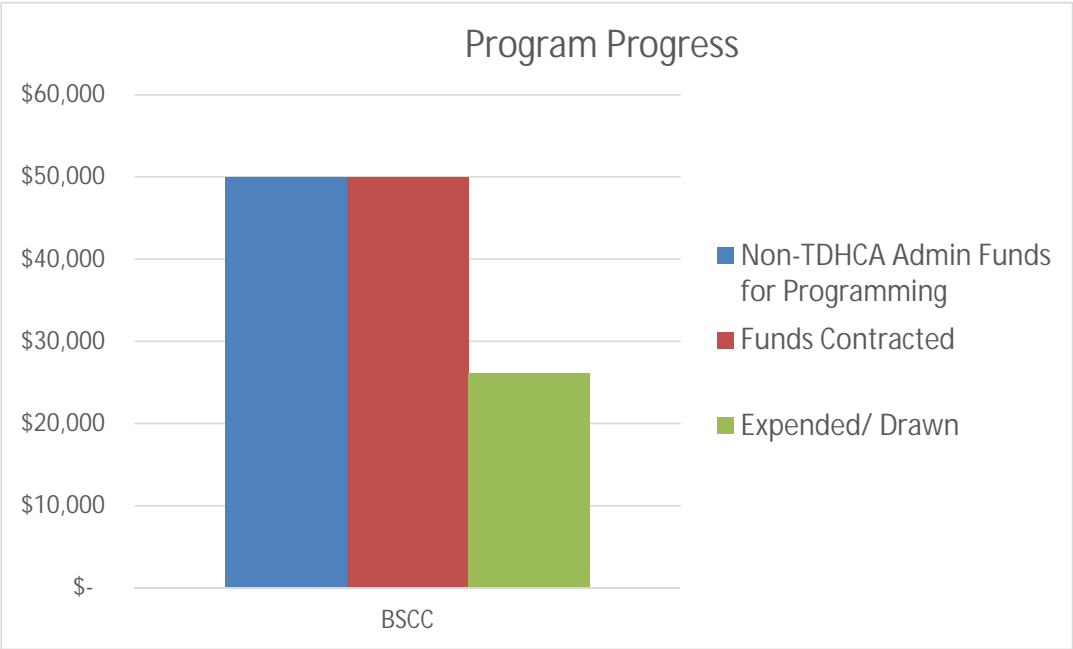
These bar charts show the progress (amount contracted vs. amount expended) for each type of CSBG funding. The red bar shows the amount under executed contracts whereas the green shows those funds that have been expended. As one may expect, the primary funding channel (90%) is further along whereas the others have further to go to fully expend. The bottom chart is separated to better illustrate the non-90% funding channels.



Quarterly Snapshot

Program Area - Balance of State Continuum of Care (BSCC)

Program	Award to Administer	Program Income	Total Cumulative	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumber	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units
				Retained	Expended	% Expended									
BSCC	\$ 50,000	N/A	\$ 50,000	N/A	N/A	N/A	\$ 50,000	\$ -	\$ 50,000	100.0%	↔	\$ 26,154	52.3%	↗	N/A

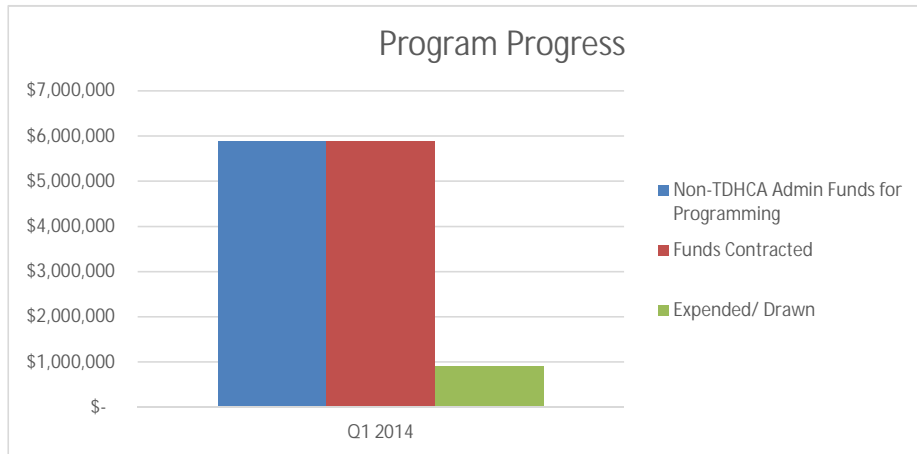


The Balance of State Continuum of Care program is a \$50,000/year contract to the Texas Homeless Network to provide administration support and services in the areas of the State not covered by other Continuum's of Care. As the funding is for administrative expenses, there are no "Units" or "Persons Served" directly from program funds. The funds do allow services to be provided so there is considerable benefit from the funds.

Quarterly Snapshot

Program Area - Section 8

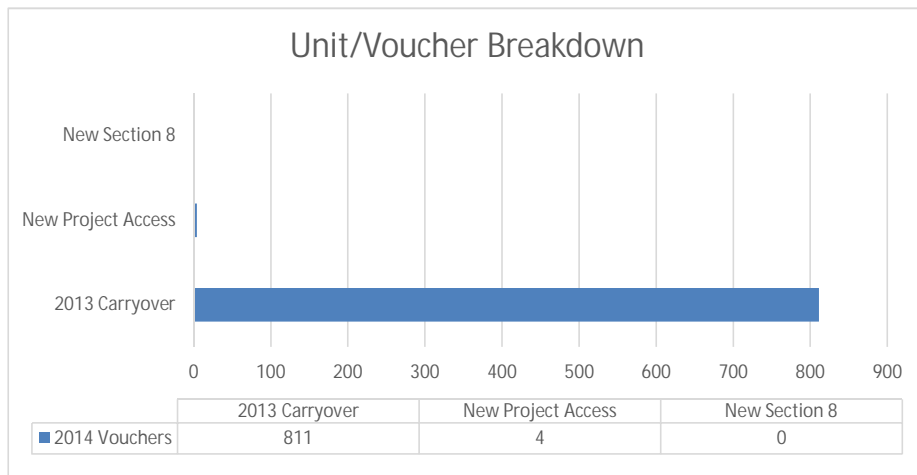
Program Year	Award to Administer	Program Income	Total Cumulative Funds	TDHCA Administrative Funds			Non-TDHCA Admin Funds for Programming	Funds Unencumbered	Funds Contracted	% Contracted	% Contracted Trendline	Expended/ Drawn	% Expended	% Expended Trendline	Units
				Retained	Expended	% Expended									
2014	\$ 6,450,022	N/A	\$ 6,450,022	\$ 555,334	\$ 71,059	12.8%	\$ 5,894,688	\$ -	\$ 5,894,688	100%		\$ 909,159	15.4%		815



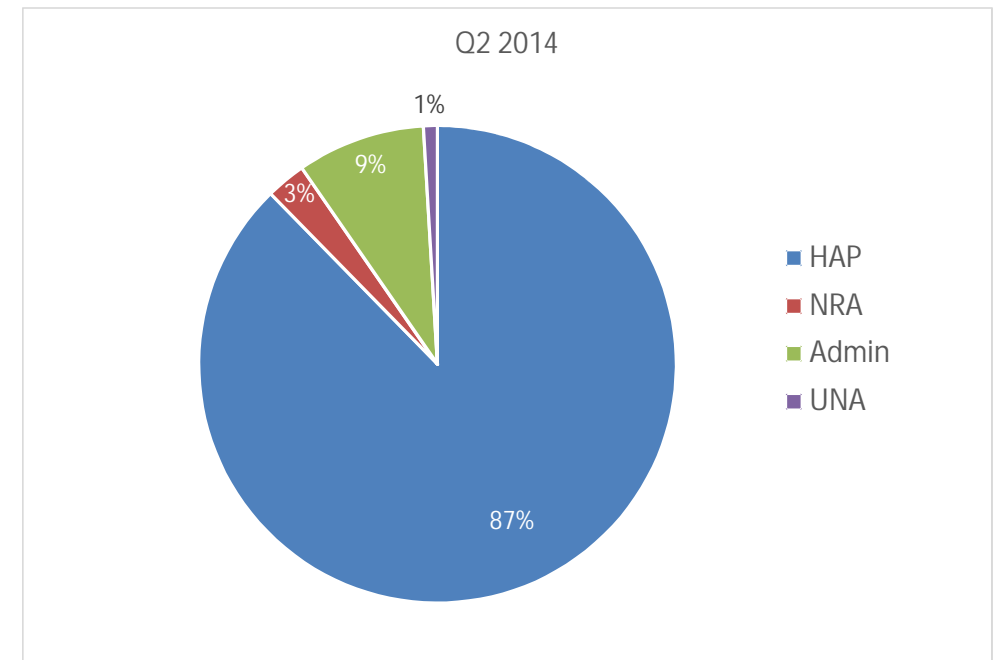
Due to the timing of the Snapshot publication and internal reporting, the figures above are the same as reported in the previous Snapshot.

The bar chart shows the progress of the program in fully expending the funds designated for programs (excludes TDHCA admin funding). Due to the unique nature of Section 8, the funds are always considered to be "Contracted." The expended amount, shown in green, is typical for a program only a few months into its annual cycle. This figure will continue to increase through the year until the next cycle begins and the bar resets back to zero.

The "% Expended Trendline" reflects a significant dip in the % Expended in the last quarter. This is due to the awarding of new Section 8 funds and the beginning of a new funding cycle. Section 8 has no overlap of funding cycles. On January 1st each year the new cycle starts. As such, the "% Expended" returns to zero. This dip will occur with the first Snapshot of each calendar year.



The bar chart to the left shows the current unit/voucher amount by its "source." Since voucher holders can maintain their voucher over multiple years, vouchers are recounted once each year to determine the number of vouchers served. Of the 815 vouchers served by the program this calendar year, 811 of the 815 are carried forward from the previous year. To date, only 4 new vouchers have been issued. 100% of those four have been through the Project Access program.



The above pie chart shows the breakdown of the 2014 award. The award comes primarily from Housing Assistance Payments (HAP), which are payments for the rental and utility assistance, and Administrative funds (admin), which are payments to TDHCA to administer the program. The remaining amount comes from unspent balances. The Net Restricted Assets (NRA) are from unspent HAP funds and used for assistance to clients, where the Unrestricted Net Assets (UNA) are from funds for TDHCA administrative activities.

R2

<p style="text-align: center;">BOARD REPORT ITEM</p> <p style="text-align: center;">PROGRAM PLANNING, POLICY, AND METRICS (3PM)</p> <p style="text-align: center;">APRIL 10, 2014</p>
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Presentation of a Final Status Report on the Implementation of the American Recovery and Reinvestment Act of 2009

BACKGROUND

At the December 2012 TDHCA Governing Board Meeting the Department's Office of Recovery Act Accountability and Oversight ("the Office"), presented a final report regarding the Department's success at implementing Recovery Act programs. At this time, the Office and its remaining limited responsibilities were absorbed into the Program Planning, Policy, and Metrics group ("3PM") as had been intended. Subsequently, in February 2013 an extension was granted by the Federal Department of Energy for the Weatherization Assistance Program ("ARRA-WAP") allowing an additional expenditure of fund balances; this extension also required a continuation of the ongoing quarterly ARRA reporting.

On March 19, 2014, the Office submitted the final 1512 report for its Recovery Act programs. The Federal 1512 website shut down permanently on March 31, 2014. Attached, 3PM is providing a final report for Recovery Act programs to update the Board regarding the additional ARRA-WAP activity that took place after the December 2012 Board Meeting. Aside from some historical record gathering, the submission of this final report also marks the end of the Office's responsibilities, within 3PM, in monitoring and reporting Recovery Act program activity.

The resounding success of the Department in its administration of these funds is reflected in the report: across five Recovery Act programs totaling \$1,159,043,273, expenditures totaled \$1,157,286,437, achieving 99.85% expenditure of total awards. Following the conclusion of ARRA the Department's temporary increase in staffing levels, adding ARRA funded employees, has been brought back to normalized levels.

BOARD REPORT ITEM

OFFICE OF RECOVERY ACT ACCOUNTABILITY AND OVERSIGHT

APRIL 10, 2014

Report on the Implementation of the American Recovery and Reinvestment Act of 2009 (Recovery Act). This item provides a final summary of the activity relating to each of the Recovery Act programs as well as a summary of the quarterly Section 1512 jobs reporting submitted for July 1, 2012 thru September 30, 2012 (no job changes occurred after September 30, 2012 except ARRA WAP). The Office of Recovery Act Accountability and Oversight (the Office) has submitted the final 1512 report, which means that the Office will no longer exist as a division of the Department.

Recovery Act Program Summary

Program	Activities	Program Status	Total Funding	Served to Date**	1512 Reported Data	Timeline / Contract Period
			Expended to Date* Percent Expended		Reported Program Expenditures^^ Jobs Created or Retained^	
Weatherization Assistance Program	Minor home repair to increase energy efficiency, maximum \$6,500 per household. Households at or below 200% of poverty.	<ul style="list-style-type: none"> COMPLETE All subrecipient contracts are closed and the grant is closed with DOE. 	\$326,975,732 \$326,754,149 99.93%	56,075 households	\$326,754,149 0 jobs	<ul style="list-style-type: none"> All program required benchmarks were achieved timely. Federal funding expiration date was originally extended to June 30, 2012, and subsequently extended to September 30, 2013.
Homelessness Prevention and Rapid Re-Housing Program	Rental asst, housing search, credit repair, deposits, moving cost assistance, & case management. Persons at or below 50% AMI.	<ul style="list-style-type: none"> COMPLETE All subrecipient contracts are now closed and the grant is closed with HUD. 	\$41,472,772 \$41,454,693 99.96%	46,818 persons	\$41,454,693 0.6 jobs	<ul style="list-style-type: none"> All program required benchmarks were achieved timely. All recipients' contracts are now closed. Federal funding expiration date was July 16, 2012, with a 90 day closeout period that has now been completed.

Program	Activities	Program Status	Total Funding Expended to Date* Percent Expended	Served to Date**	1512 Reported Data Reported Program Expenditures^^ Jobs Created or Retained^	Timeline / Contract Period
Community Services Block Grant Program	Assists existing network of Community Action Agencies with services including child care, job training, and poverty-related programs. Persons at or below 200% of poverty.	<ul style="list-style-type: none"> • COMPLETE • CSBG ARRA funds expired Sept 30, 2010 	\$48,109,133 \$48,106,188 99.92%	99,325 persons	\$48,106,188	<ul style="list-style-type: none"> • Recipients were required to expend 100% of funds by Sept 30, 2010. 99.92% of funds were expended. • Due to disallowed costs and one subrecipient's inability to fully expend, 0.08% of funds were unspent.
Tax Credit Assistance Program	Provides assistance for 2007, 2008 or 2009 Housing Tax Credit awarded developments. Households at or below 60% AMI.	<ul style="list-style-type: none"> • COMPLETE • Amount Awarded: \$148,354,769 (100%) • Amount Drawn: \$148,354,769 (100%) 	\$148,354,769 \$148,354,769 100%	8,346 households	\$148,354,769	<ul style="list-style-type: none"> • Owners were required to expend 100% of funds by February 17, 2012, which was achieved. All other program deadlines were also met.
Housing Tax Credit Exchange Program^^^	Provides assistance to 2007, 2008 or 2009 Housing Tax Credit awarded developments. Households at or below 60% AMI.	<ul style="list-style-type: none"> • COMPLETE • Amount Awarded: \$594,091,929 (100%) • Amount Closed: \$594,091,929 (100%) 	\$594,091,929 \$592,616,638 99.75%	8,015 households	\$592,616,638 9,351 jobs	<ul style="list-style-type: none"> • Owners were required to expend 100% of funds by December 31, 2011. 99.75% of funds were expended. • Due to overcommitment and time expiring for two contracts, 0.25% of funds were unspent. All earlier program deadlines were met.
Total			\$1,159,043,273 \$1,157,286,437 99.85%	146,143 persons 72,436 households	\$1,157,286,437 1512: 68.3 jobs this quarter Exchange: 9,351 jobs cumulatively	

*This table includes updated expenditure data as of 03/25/2014.

**Total served data through 12/31/2011 for HPRP and 12/31/2010 for CSBG; 3/24/2014 for WAP, 2/2/2011 for TCAP; and 12/10/2010 for HTC Ex. For TCAP and HTC Ex, households represent closed transactions.

^Jobs created or retained between 7/1/2012 and 9/30/2012. Note that Section 1512 reporting is not required for HTC Exchange and the figure includes total estimated jobs to be created or retained as reported to the U.S. Department of Treasury for 12/31/2010. Previous quarters were used for 1512-based job figures are recent quarters included only minimal administrative funds. Previous quarters serve as a better representation job creation.

^^ Program expenditures reported for each program includes subrecipient and TDHCA administrative expenses. Information is updated quarterly. Data was submitted to Recovery.gov for quarter ending 3/31/2014 for the ARRA-WAP program. Other programs were submitted through 9/30/2012.

^^^ The Housing Tax Credit Exchange Program is not subject to 1512 reporting requirements.

R3

TDHCA Outreach Activities, February-March 2014

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

Event	Location	Date	Division	Purpose
2014 Draft DOE Weatherization Assistance Program Plan/Public Hearing	Austin	Feb 10	Community Affairs	Public Hearing
Community Resource Coordination Groups	Austin	Feb 13	Housing Resource Center	Participant
Faith and Community Based Initiative, Interagency Coordinating Group	Austin	Feb 19	Housing Resource Center	Participant
Homebuyer Fair	Irving	Feb 22	Homeownership	Exhibitor
United Texas – Housing Initiatives That Work/Webinar	Austin	Feb 24	Homeownership	Training
Housing Tax Credit Training	Houston	Feb 25	Compliance	Training
Texas Department of Criminal Justice, Reentry Task Force	Austin	Feb 25	Housing Resource Center	Participant
Housing and Health Services Coordination Council Work Group Meetings	Austin	Feb 26-28	Housing Resource Center	Participant
First Thursday Income Eligibility Training	Austin	March 6	Compliance	Training
Proposed Enforcement Rule Round Table	Austin	March 18	Executive, Legal, Compliance, Community Affairs, HOME, Neighborhood Stabilization Program, Colonia Initiatives, Program Services, External Affairs	Round Table Hearing
Housing Tax Credit Training	San Antonio	March 18	Compliance	Training
Proposed Enforcement Rule Round Table	San Antonio	March 19	Compliance, Community Affairs	Round Table Hearing
Uniform Physical Condition Standards (UPCS) Workgroup	Houston	March 20	Compliance	Round Table Hearing
Proposed Enforcement Rule Round Table	Houston	March 20	Compliance, Community Affairs	Round Table Hearing
HUD's Real Estate Assessment Center/UPCS Training	Austin	March 25-28	Compliance	Training

Internet Postings of Note, February-March 2014

A list of new or noteworthy documents posted to the Department's web site

2014 Multifamily Uniform Application Certifications — relating to four-part document required from applications seeking funding from the Department for the development of multifamily rental housing:
www.tdhca.state.tx.us/multifamily/apply-for-funds.htm

2014 Housing Tax Credit Competitive Application Cycle: Frequently Asked Questions — providing answers to the most often asked questions from applicants in the 2014 9% HTC allocation cycle:
www.tdhca.state.tx.us/multifamily/faqs.htm

Emergency Solutions Grants Program: Frequently Asked Questions — providing answers to common questions from entities administering funds through the Department's ESG Program:
www.tdhca.state.tx.us/community-affairs/esgp/guidance-solutions.htm

Additional Submission Requirements for Part D: Owners Financial Report — detailing documentation required in support of Owners Financial Report, including rent rolls, annual operating/financial statements, proof of payment of property taxes, etc:
www.tdhca.state.tx.us/pmcomp/reports.htm

List of Approved Market Analysts — listing third-party analysts approved by the Department to provide comprehensive market studies as required for applicants seeking Housing Tax Credits:
www.tdhca.state.tx.us/rea/index.htm

Low Income Home Energy Assistance Program: Priority List — identifying repairs necessary for the effective preservation of weatherized materials on single-family, small multifamily, and manufactured housing through funds from the US Department of Health & Human Services' LIHEAP:
www.tdhca.state.tx.us/community-affairs/wap/guidance.htm

Application Amendments to be presented to the TDHCA Board on February 20, 2014 — detailing requested amendment and fee refund related to a change in residential density to a 2010 9% Housing Tax Credit award:
www.tdhca.state.tx.us/asset-management/announcements.htm

2014 Emergency Solutions Grant NOFA and Application Package — notice of funding availability through and documents comprising application for entities seeking to participate in the 2014 ESG funding cycle:
www.tdhca.state.tx.us/community-affairs/esgp/nofas.htm

2014/2015 Texas Bootstrap Loan Program NOFA — notice of funding availability for qualifying nonprofit owner-builder housing providers seeking to participate in the 2014/2015 Bootstrap Loan Program:
www.tdhca.state.tx.us/nofa.htm

2014 Community Housing Development Organization Certification Packet — including material required for qualifying entities seeking certification as a CHDO in conjunction with HOME multifamily funds:
www.tdhca.state.tx.us/multifamily/apply-for-funds.htm

2014 Comprehensive Energy Assistance Program Service Providers — detailing the list of and contact information for entities currently administrating the Department's CEAP funds:
www.tdhca.state.tx.us/community-affairs/ceap/index.htm

Determination of Public Housing Authority's Annual Plan Consistency with the State of Texas Consolidated Plan — establishing the extent to which the goals and mission of the Department and those of local public housing authorities correspond:
www.tdhca.state.tx.us/housing-center/pubs-plans.htm

2014 Housing Tax Credit Site Demographic Characteristics Report — identifying urban/rural designations, opportunity index, two times per capita, and other demographic characteristics relating to the 2014 9% HTC cycle:
www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/index.htm

Texas Bootstrap Loan Program User Guide — serving as a training guide to Nonprofit Owner-Builder Housing Providers participating in the Bootstrap Program's Internet Loan Reservation System:
www.tdhca.state.tx.us/loan-reservation-system.htm

Post Carryover Activities Manual Update: February 2014 — providing updated instructions for ownership transfers:
www.tdhca.state.tx.us/asset-management/pca-manual.htm

2014 Emergency Solutions Grants Program Application Workshop Presentation — making available a PowerPoint presentation to interested parties prior to February 19, 2014, ESG Application Workshop:
www.tdhca.state.tx.us/community-affairs/announcements.htm

Public Notice of 2014 Mortgage Credit Certificate Program 82 — *notifying interested mortgage lenders of the Department's intentions to implement an MCC Program:*

www.tdhca.state.tx.us/bond-finance/index.htm

2014 State Low Income Housing Plan and Annual Report — *providing an overview of statewide housing needs and reporting on the administration, funding levels, performance measures, and the distribution of TDHCA's resources from the previous fiscal year:*

www.tdhca.state.tx.us/housing-center/pubs-plans.htm

Office of Colonia Initiatives: Border Field Offices — *update to OCI web page noting the relocation of the former Edinburg field office to Pharr, detailing its new address and phone number:*

www.tdhca.state.tx.us/oci/offices.jsp

Compliance: 10 TAC 1 Subchapter B — *providing guidance regarding the requirements of §504 of the 1973 Rehabilitation Act and the Fair Housing Act affecting all recipients of awards from the Department:*

www.tdhca.state.tx.us/pmcomp/manuals-rules-htc.htm

2014 Homeless Housing and Services Program Allocations and Contact Information — *detailing the list of and contact information for cities (or their subcontractors) currently administrating the Department's HHSP funds:*

www.tdhca.state.tx.us/community-affairs/hhsp/index.htm

2014 9% Housing Tax Credit Full-Application Logs — *detailing applicants submitting a full application in the 2014 9% HTC allocation cycle, by set aside and subregion:*

www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/index.htm

2014 9% Housing Tax Credit Award Limits and Estimated Regional Allocation — *providing funding, funding requests, and award limit estimates by set aside and subregion for the 2014 9% HTC allocation cycle:*

www.tdhca.state.tx.us/multifamily/housing-tax-credits-9pct/index.htm

2013 4th Quarter NSP Quarterly Reports — *providing an analysis of the performance of the Neighborhood Stabilization Program for NSP1 and NSP3 during the fourth quarter of 2013:*

www.tdhca.state.tx.us/nsp/index.htm

Emergency Solutions Grants Application: Frequently Asked Questions #1 — *providing answers to common questions the Department has received in this round of competition for the Department's ESG funding:*

www.tdhca.state.tx.us/community-affairs/esgp/nofas.htm

Transcript of Conference Call: Enforcement Rule — *detailing contents of March 3, 2014, conference call between the Department and various stakeholders regarding measures identifying instances of noncompliance:*

www.tdhca.state.tx.us/pmcomp/manuals-rules-htc.htm

2014 Weatherization Assistance Program Service Providers — *providing the list of and contact information for entities currently administrating the Department's WAP funds:*

www.tdhca.state.tx.us/community-affairs/wap/index.htm

Housing Tax Credit Applicable Percentages and Calculation of Underwriting Rates: 3/7/14 — *used to determine the allocation amount of tax credits, as defined in Section 42(b) of the Internal Revenue Code:*

www.tdhca.state.tx.us/rea/index.htm

2014 Competitive Housing Tax Credit Applications: Public Hearing Schedule — *providing details regarding time, date, and location for hearings to gather public comment on applications in the 2014 9% HTC allocation cycle:*

www.tdhca.state.tx.us/multifamily/announcements.htm

Emergency Solutions Grants Application: Frequently Asked Questions #2 — *providing additional answers to common questions the Department has received in this round of competition for the Department's ESG funding:*
www.tdhca.state.tx.us/community-affairs/esgp/nofas.htm

Community Services Block Grant Program: Guidance on Reporting Persons Served — *providing direction regarding persons served to avoid inconsistencies and the possibility of under-reported data:*
www.tdhca.state.tx.us/community-affairs/csbg/guidance.htm

Quarterly Delinquency Report — *detailing delinquency results from the fourth quarter of 2013 for Single Family loans through Bond Programs 52-79:*
<http://www.tdhca.state.tx.us/bond-finance/index.htm>

Office of Colonia Initiatives: Border Field Offices — *update to OCI web page noting the opening of its Laredo Border Field Office, detailing its address and phone number:*
www.tdhca.state.tx.us/oci/offices.jsp

Administrative Penalty and Debarment Flow Charts — *providing visual explanation regarding procedures for levying of administrative penalties, debarment of individuals from the Department's funding programs:*
www.tdhca.state.tx.us/pmcomp/manuals-rules-htc.htm

Annual Weatherization Report to Texas Legislature — *detailing number of households assisted, average amount spent per unit weatherized, peak electricity demand reduction, and amount overall electric energy saved through TDHCA weatherization programs:*
www.tdhca.state.tx.us/community-affairs/wap/index.htm

2014 Community Services Block Grant Program Service Providers — *providing the list of and contact information for entities currently administrating the Department's CSBG funds:*
www.tdhca.state.tx.us/community-affairs/csbg/index.htm

ACTION ITEMS

2a

ORAL
PRESENTATION

2b

BOARD ACTION REQUEST
SECTION 811 PRA PROGRAM
APRIL 10, 2014

Presentation, Discussion, and Possible Action on submitting an application to the U.S. Department of Housing and Urban Development for the Fiscal Year 2013 Section 811 Project Rental Assistance (PRA) Program.

RECOMMENDED ACTION

WHEREAS, the U.S. Department of Housing and Urban Development (“HUD”) has made funds available through a 2013 Notice of Funding Availability (“NOFA”), for the Section 811 Project Rental Assistance (“PRA”) Program to enable State Housing Agencies to provide project-based rental assistance in the development of supportive housing for low-income persons with disabilities; and

WHEREAS, in response to the Fiscal Year 2012 PRA Demonstration NOFA, on February 19, 2013 HUD awarded the Department \$12,000,000; and

WHEREAS, staff has not yet entered into an agreement with HUD regarding the 2012 award and is in an in-depth review process to establish with HUD the parameters of the 2012 PRA Demonstration Program; and

WHEREAS, upon agreement with HUD regarding the 2012 award, the Department believes it will have the infrastructure in place to be eligible to apply for 2013 Section 811 Project Rental Assistance Program funds; and

WHEREAS, an application for 2013 funds will again include formalizing the Department’s partnership, via an Interagency Partnership Agreement with the State Medicaid Agency, the Texas Health and Human Services Commission, and will require that the Agreement be amended for this application; and

WHEREAS, staff believes that the importance of the population to be served merits pursuit, promoting housing choice notwithstanding the overarching uncertainty about how HUD will oversee the administration of such programs and the resulting uncertainty as to the administrative budget of the program, all of which should be mitigated to a significant degree by HUD’s increasing of the administrative budget from 5% to 8% under the 2013 PRA Program;

NOW, therefore, it is hereby

RESOLVED, that the Executive Director and his designees be and they hereby are authorized, empowered, and directed, for and on behalf of the Department, to apply to the U.S. Department of Housing and Urban Development for the Fiscal Year 2013 Section 811 PRA Program and to do all things they may deem necessary or advisable to effectuate the foregoing.

BACKGROUND

This application for 2013 funds would be an additional source of funds under the 2012 PRA Program previously awarded. This grant is challenging and technically difficult, while having limited administrative funds to support its fairly comprehensive operating costs. An update of the 2012 Program is provided below.

2012 Section 811 PRA Program Update

On February 19, 2013, the Texas Department of Housing and Community Affairs (“TDHCA”) was awarded \$12,000,000 from the U.S. Department of Housing and Urban Development (“HUD”) for the Fiscal Year 2012 Section 811 Project Rental Assistance Demonstration Program. As required by the 2012 Program, TDHCA has established a formal partnership through an Interagency Partnership Agreement with the Texas State Medicaid Agency, the Texas Health and Human Services Commission that outlines services that will be made available to tenants as well as outreach and referral processes. The Texas Department of Aging and Disability Services (“DADS”) has been designated the lead health and human service agency for the State’s Section 811 PRA program.

The Section 811 PRA funds provide project-based rental assistance for persons with disabilities at or below 30 percent of area median family income in TDHCA funded multifamily properties, such as those with HOME or Low-Income Housing Tax Credits. As discussed previously with the Board, the inclusion of incentives within the Qualified Allocation Plan (“QAP”) to utilize this program, will be critical to its success.

Through a public process in cooperation with the Texas disability community, in partnership with HHSC, and following the federal statutory eligibility requirements, TDHCA designated three target populations eligible to be served by the 2012 Texas 811 PRA Program. Each individual in the target population is eligible to receive services from an HHSC partner agency and include the following:

- Persons with Disabilities Exiting Intermediate Care Facilities for Persons with Intellectual Disabilities (“ICF-IDs”) and Nursing Facilities
- Persons with Serious Mental Illness
- Youth Exiting Foster Care

The next step for the 2012 Section 811 PRA program is to finalize a Cooperative Agreement with HUD. TDHCA received the first draft of those documents in November 2013 and TDHCA, in coordination with the twelve other states with 2012 awards, provided HUD with extensive comments. TDHCA received what HUD believes is a final version of those documents on March 17, 2014. Staff is currently reviewing those documents and will continue to work with HUD in an attempt to establish a satisfactory

final agreement. TDHCA continues to coordinate with the other twelve states in these efforts. On December 12, 2013, the Board approved staff to move forward with signing the Cooperative Agreement.

2013 Section 811 PRA Program NOFA

The Fiscal Year 2013 Section 811 Project Rental Assistance Demonstration Program implements a similar program design to the 2012 Program. The Department is basing its decision to submit a 2013 application on the premise that it will mirror much of the 2012 Section 811 PRA program design for the 2013 Section 811 PRA NOFA, including serving the same target populations, although likely in more geographic areas than the seven areas identified in the 2012 submission. However, the new NOFA provides more emphasis on a state commitment to the Section 811 program for new construction, which would most realistically be achieved through incentives in the Department's Qualified Allocation Plan.

On March 3, 2014, HUD released the Notice of Funding Availability (NOFA) for HUD's Fiscal Year 2013 Section 811 Supportive Housing for Persons with Disabilities Project Rental Assistance Program. This NOFA announces the availability of \$120 million in Section 811 PRA Demo funding to identify, stimulate, and support innovative state-level strategies that will transform and increase housing for extremely low-income persons with disabilities while making available appropriate support and services. HUD anticipates that a minimum of \$2 million and a maximum of \$12 million will be awarded to between 12 and 18 applicants.

If awarded the full amount of \$12,000,000, the Administrative costs provided by this grant will be no more than eight percent of the awarded amount which is approximately \$960,000. While funding to a property will be for five years, the Department anticipates taking at least seven years to administer the program funds. Staff has estimated that this effort may take up to three full-time equivalent positions (FTE's), in addition to increased workloads for other TDHCA divisions, such as program services, multifamily and compliance. Administrative funds provided by the grant plus the Fiscal Year 2012 Administrative funds may not be sufficient to cover the cost of three FTEs. The Department is considering contracting out the duties of one of the FTEs. Despite these uncertainties in funding and staffing, the Department feels Section 811 would serve a great need identified by the state to serve income persons with disabilities and is willing to pursue the submission of an application.

Staff recommends the Department be authorized to apply to HUD for the 2013 Section 811 Project Rental Assistance Program and to have the flexibility in designing TDHCA's NOFA application to develop a responsive program design to the HUD NOFA.

3a

BOARD ACTION REQUEST
BOND FINANCE DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action on Resolution 14-021 regarding the annual approval of the Department's Interest Rate Swap Policy

RECOMMENDED ACTION

WHEREAS, the Department is authorized by Texas Government Code §§ 1371.056 and 2306.351 to enter into interest rate swaps and other similar derivatives from time to time chiefly to manage overall costs and reduce interest rate risk;

WHEREAS, the Department has adopted an Interest Rate Swap Policy, and the Chief Financial Officer and the Director of Bond Finance review and the Board approves this Policy on an annual basis;

NOW, therefore, it is hereby

RESOLVED, that Resolution No. 14-021 reflecting the Department's Interest Rate Swap Policy is hereby adopted in the form presented to this meeting.

BACKGROUND

The Department adopted an Interest Rate Swap Policy on September 9, 2004 in order to establish guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, caps, collars, and floors incurred in connection with issuance of debt obligations. The Interest Rate Swap Policy sets forth the manner of execution of Swaps, provides for security and payment provisions, risk considerations, and certain other relevant provisions.

The Department's Interest Rate Swap Policy ("the Document") requires the Chief Financial Officer and Director of Bond Finance to annually review the Interest Rate Swap Policy. The Department's swap policy has performed well under the volatile market conditions and tough economic conditions that have persisted for the past 6-years. Staff, per our policy, has received mark-to-market updates periodically from our swap advisor, George K. Baum & Company. Over the last several years, staff has sought advice from our former swap advisors, Swap Financial Group and Raymond James & Associates, and our current swap advisor, George K. Baum & Company, for an understanding of prevailing operational parameters and to determine if the swap policy needed any changes due to evolving market conditions. The Interest Rate Swap

Policy was substantially changed in 2009 and has only received minor modifications in recent years.

Due to changes in market conditions, minimum rating requirements and termination provisions staff is recommending changes in the Interest Rate Swap Policy in order to include a broader range of qualified counterparties. TDHCA recently went through a procurement process to assign the 2004B and 2006H swaps. As a result, four counterparties qualified under the current Interest Rate Swap Policy; still further, only two of those counterparties ultimately submitted bids. Therefore, Staff reviewed the Swap Policies of other state agencies to consider adjustments to the rating requirements in the Department’s Policy.

The charts below illustrate the current and proposed rating changes, and the current rating requirements for similar issuers in Texas.

Qualified Swap Counterparty Ratings			
<i>Current TDHCA</i>	<i>Proposed TDHCA</i>	<i>Current Texas Veterans Land Board</i>	<i>Current UT Systems</i>
Aa3 or AA by two rating agencies and not rated lower than A2 or A by any rating agency, or AAA by at least one rating agency	A2 or A	AA*	A2 or A

Termination Provisions			
<i>Current TDHCA</i>	<i>Proposed TDHCA</i>	<i>Current Texas Veterans Land Board</i>	<i>Current UT Systems</i>
A by Moody’s or A by Standard & Poors	Baa2 or BBB	Baa1 or BBB+*	Baa2 or BBB

* Veterans Land Board does not have a specific policy requirement; however, based upon a review of their transactions, we believe this to be their practice.

A black-line version of the proposed Interest Rate Swap Policy is also attached for your reference.

RESOLUTION NO. 14-021

RESOLUTION OF THE GOVERNING BOARD APPROVING THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS INTEREST RATE SWAP POLICY

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official agency of the State of Texas (the "Department"), was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended (together with other laws of the State applicable to the Department, collectively, the "Act"); and

WHEREAS, the Governing Board of the Department (the "Governing Board") desires to approve the Department's Interest Rate Swap Policy in the form presented to the Governing Board;

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

ARTICLE 1

APPROVAL OF DOCUMENTS AND CERTAIN ACTIONS

Section 1.1 Approval of the Department's Interest Rate Swap Policy. The Interest Rate Swap Policy in the form presented to the Governing Board is hereby authorized and approved.

Section 1.2 ISDA Dodd-Frank Protocols. Each Authorized Representative is hereby severally authorized to take such actions as are necessary or desirable to enable the Board to adhere to any protocols promulgated by the International Swaps and Derivatives Association, Inc. ("ISDA") in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act, which adherence may (i) include the use of documents intended to address the subject matter of any such protocol but not using forms promulgated by ISDA, and (ii) be with respect to such counterparties as an Authorized Representative determines in his judgment are appropriate.

Section 1.3 Authorized Representatives. The following persons and each of them are hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Governing Board, the Executive Director of the Department, the Director of Bond Finance of the Department, the Director of Multifamily Finance of the Department, the Director of Texas Homeownership of the Department and the Secretary or any Assistant Secretary to the Governing Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Persons is authorized to act individually as set forth in this Resolution.

ARTICLE 2

GENERAL PROVISIONS

Section 2.1 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with §2306.032 of the Texas Government Code, regarding meetings of the Governing Board.

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

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 10th day of April, 2014.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

INTEREST RATE SWAP POLICY

As presented to the Board on April ~~11~~10, ~~2013~~2014

~~2013~~2014

April ~~11~~10, ~~2013~~2014

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS INTEREST RATE SWAP POLICY

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

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

I. Introduction

The purpose of this Interest Rate Swap Policy (“Policy”) of the Texas Department of Housing and Community Affairs (the “Department”) is to establish guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, swaptions, caps, collars and floors (collectively “Swaps” or “Agreements”) incurred in connection with the issuance of debt obligations. This Policy sets forth the manner of execution of Swaps, provides for security and payment provisions, risk considerations and certain other relevant provisions.

II. Authority

The Department is authorized by Sections 1371.056 and 2306.351 of the Texas Government Code to enter into Swaps from time to time to better manage assets and liabilities and take advantage of market conditions to lower overall costs and reduce interest rate risk.

This Policy shall govern the Department’s use and management of all Swaps. While adherence to this Policy is required in applicable circumstances, the Department recognizes that changes in the capital markets, agency programs, and other unforeseen circumstances may from time to time produce situations that are not covered by this Policy and will require modifications or exceptions approved or authorized by the Governing Board to achieve policy goals.

The Chief Financial Officer and the Director of Bond Finance are the designated administrators of the Department’s Policy. The Bond Finance Division shall have the day-to-day responsibility for structuring, implementing, and managing Swaps.

The Department shall be authorized to enter into Swaps only with qualified Swap counterparties as defined herein. The Director of Bond Finance, in consultation with the Chief Financial Officer, or a

Department designee, shall have the authority to recommend counterparties, so long as the criteria set forth in this Policy are met.

The Chief Financial Officer and the Director of Bond Finance shall review this Policy on an annual basis and recommend any necessary changes to the Governing Board.

III. Purpose

The incurring of obligations by the Department involves a variety of interest rate payments and other risks for which a variety of financial instruments are available to offset, hedge, or reduce. It is the policy of the Department to utilize Swaps to better manage its assets and liabilities. The Department may execute Swaps if the transaction can be expected to result in one of, but not limited to, the following:

- Reduce exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from the Department's overall asset/liability balance.
- Result in a lower net cost of borrowing with respect to the Department's debt, a higher return on assets, and/or a stronger balance sheet.
- Manage variable interest rate exposure consistent with prudent debt practices.
- Achieve more flexibility in meeting overall financial and programmatic objectives that cannot be achieved in conventional markets.
- Lock in fixed rates in current markets for use at a later date.
- Manage the Department's exposure to the risk of changes in the legal or regulatory treatment of tax-exempt bonds.
- Manage the Department's credit exposure to financial institutions.

The Department will not use Agreements that:

- Are purely speculative or incorporate extraordinary leverage;
- Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
- Are characterized by insufficient pricing transparency and therefore make reasonable valuation difficult.

IV. Evaluation of Risks Associated with Swaps

Before entering into a Swap, the Department shall evaluate the risks inherent in the transaction. The risks to be evaluated will include basis risk, tax risk, counterparty risk, credit risk, termination risk, rollover risk, liquidity risk, remarketing risk, amortization mismatch risk, mortgage yield risk, non-origination risk, and PAC band risk. The following table outlines these various risks and the Department's evaluation methodology for those risks.

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Risk	Description	Evaluation Methodology
Basis Risk	The mismatch between actual variable rate debt service and variable rate indices used to determine Swap payments.	The Department will review historical trading differentials between the variable rate bonds and the index.
Tax Risk	The risk created by potential tax events that could affect Swap payments or their relationship to future bond payments.	The Department will review the tax events in proposed Swap agreements. The Department will evaluate the impact of potential changes in tax law on LIBOR indexed Swaps.
Counterparty Risk	The failure of the counterparty to make required payments or the occurrence of an event modifying the credit rating of the counterparty.	The Department will monitor exposure levels, ratings thresholds, and collateralization requirements.
Termination Risk	The need to terminate the transaction in a market that dictates a termination payment by the Department.	The Department will compute its termination exposure for all existing and proposed Swaps at market value and under a worst-case scenario.
Rollover Risk	The mismatch of the maturity of the Swap and the maturity of the underlying bonds.	The Department will determine its capacity to service variable rate bonds that may be outstanding after the maturity of the Swap.
Liquidity Risk	The inability to continue or renew a liquidity facility, and the risk that the cost of a facility will increase beyond expectations.	The Department will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt, if any.
Remarketing Risk	The risk that a remarketing agent may be unable to remarket VRDBs.	The Department will obtain a standby bond purchase facility to provide the funds necessary to purchase the VRDBs.
Amortization Mismatch Risk	The mismatch of outstanding Swap notional amount versus the outstanding bond principal subject to the hedge.	The Department may incorporate one or a combination of the following features: par termination options, PAC or lockout bonds.
Mortgage Yield Risk	The bond issue may not comply with yield restrictions if the Swap is terminated.	The Department will obtain legal opinions and or certificates as appropriate.
Non-origination Risk	The bond proceeds may not originate within the prescribed timeframe and require an unused proceeds call and possible termination payment.	The Department will evaluate bond and mortgage market conditions and quantify the potential termination payment due upon non-origination.
PAC Band Break Risk	The targeted PAC bonds may amortize faster than anticipated based on the PAC amortization schedule.	The Department will rely upon credit rating agency cashflows to ensure adequate PAC/companion bond structural integrity.

Collateral Posting Risk	The risk that the Department may be required to post liquid collateral to the Counterparty. Inability to post such liquid collateral upon short notice may result in the early termination of a Swap transaction.	The Department will seek to structure Swap Agreements so that the risk of needing to post collateral is highly unlikely. This can be accomplished by using high posting thresholds or low rating triggers.
Accounting Risk	The risk that the Department may be required to record changes in fair value of a derivative transaction as a gain or loss in its annual financial statements.	The Department, when feasible, should aim to structure Transactions that would expect to qualify as effective hedges under GASB 53.

The Department will diversify its exposure to counterparties. To that end, before entering into a transaction, the Department will determine its exposure to the relevant counterparty or counterparties and determine how the proposed transaction would affect the exposure. The exposure will not be measured solely in terms of notional amount, but rather how changes in interest rates would affect the Department’s exposure (“Maximum Net Termination Exposure”). For purposes of these limits, “Maximum Net Termination Exposure” shall equal the aggregate termination payment for all existing and projected Swaps that would be paid by an individual counterparty. For purposes of this calculation, the aggregate termination payment is equal to the reasonably expected worse case termination payment of all existing Swaps plus the proposed transaction.

The Department will base the Maximum Net Termination Exposure on all outstanding derivative transactions. Limits will be established for each counterparty as well as the relative level of risk associated with each existing and projected Swap. In order to lessen counterparty risk, the Department will diversify exposure among multiple counterparties and avoid excessive concentration to any one counterparty. In situations where the Department may execute a swap transaction that would result in offsetting counterparty risk with an existing counterparty, the Department should seek to utilize that counterparty.

The Director of Bond Finance shall determine the appropriate term for a Swap on a case-by-case basis. The slope of the Swap curve, the marginal change in Swap rates from year to year along the Swap curve, and the impact that the term of the Swap has on the overall exposure of the Department shall be considered in determining the appropriate term of any Swap. The term of a Swap between the Department and a qualified Swap counterparty shall not extend beyond the final maturity date of the associated debt, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.

The Department will review the use of forward-starting swaps and determine the duration based on market condition and the risk associated with using a forward-starting swap. The Department does not have any swaps with a knock-out option which could expose the Department to higher interest rates. The Department will advise the Board prior to entering into either a forward-starting swap or knock-out option.

The Department will inform the Board if the swap is a fixed notional value swap or a declining notional value swap. The Director of Bond Finance will review under its bond compliance monitoring process that the use of fixed notional value swaps does not place the Department at risk of incurring an incrementally higher expense if the related bond principal is paid off early.

The total “net notional amount” of all Swaps related to a bond issue should not exceed the amount of outstanding bonds, or bonds anticipated to be issued. For purposes of calculating the net notional amount, credit shall be given to any Swaps that offset another Swap for a specific bond transaction.

V. Long Term Financial Implications

In evaluating a particular transaction involving the use of derivatives, the Department shall review long-term implications associated with entering into derivatives, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, liquidity capacity, opportunities to refund related debt obligations and other similar considerations.

Impact of Use of Liquidity

The Department shall consider the impact of any variable rate demand bonds issued in combination with a Swap on the availability and cost of liquidity support for other Department variable rate programs.

Call Option Value considerations

When considering the relative advantage of a Swap versus fixed rate bonds, the Department will take into consideration the value of any call option on fixed rate bonds.

Qualified Hedges

The Department understands that, (1) if payments on and receipts from the Agreement are to be taken into account in computing the yield on the related bonds, the Agreement must meet the requirements for a “qualified hedge” under federal tax law (sometimes referred to as an “integrated Swap”); and (2) if one of the goals of entering into the Agreement is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a “super integrated Swap”), then certain additional requirements must be met. In both of these situations, the terms of the Agreement and the process for entering into the Agreement must be reviewed and approved in advance by tax counsel.

VI. Form of Swap Agreements

Each Swap executed by the Department shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. (“ISDA”) Master Agreement, including any schedules and confirmations. The Swaps between the Department and each qualified Swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the Director of Bond Finance deems necessary, desirable or consistent with industry best practices.

VII. Qualified Swap Counterparties

The Department will make its best efforts to work with qualified Swap counterparties that (i) have, or has a credit support counterparty that has, a general credit rating of at least ~~“Aa3” or “AA” by two of the nationally recognized rating agencies and not rated lower than “A2” or “A” by any nationally recognized rating agency,~~ or (ii) ~~have a “AAA” rating by at least one nationally recognized credit rating agency~~ A2” or “A”. The nationally recognized rating agencies are Moody’s Investors Services, Inc., Standard and Poor’s Rating Services, and Fitch Ratings.

In addition to the rating criteria specified herein, the Department may seek additional credit enhancement and safeguards in the form of:

- i. Contingent credit support or enhancement;
- ii. Collateral consistent with the policies contained herein; and/or
- iii. Ratings downgrade triggers.

In addition, the Department will take into consideration a Swap counterparty's track record of successfully executing Swap transactions. The Department will only execute Swap transactions with qualified Swap counterparties.

VIII. Termination Provisions

The Department shall include in all Swaps provisions granting the Department the right to optionally terminate a Swap at any time at market over the term of the Agreement. The Chief Financial Officer and Director of Bond Finance shall determine if it is financially advantageous for the Department to terminate a Swap.

A ratings-based additional termination event shall be included in all of the Department's Swaps if the provider (or its credit support provider) fails to maintain either:

1. A Credit Rating of at least A2-Baa2 from Moody's; or
2. A Credit Rating of at least A-BBB from S&P; or,
3. An equivalent rating determined above by a nationally recognized ratings service acceptable to both parties.

A termination payment to or from the Department may be required in the event of termination of a Swap due to a default or a decrease in credit rating of either the Department or the counterparty. If the cause of the termination is a counterparty downgrade, termination payments will be calculated on the side of the bid-offer spread that favors the Department. Additionally, the termination amount of the Swap should seek to compensate the Department, as allowed under the ISDA Agreement, all other costs for creating a replacement transaction of like terms and conditions.

It is the intent of the Department not to make a termination payment to a counterparty that does not meet its contractual obligations. Prior to making any such termination payment, the Chief Financial Officer and Director of Bond Finance shall evaluate whether it is financially advantageous for the Department to obtain a replacement counterparty to avoid making such termination payment or finance the termination payment through a long-term financing product.

For payments on early termination and optional termination, Market Quotation and the Second Method will apply, allowing for two way mark-to-market breakage (assuming the Swaps are documented under the 1992 form of the ISDA Master Agreements).

IX. Security and Source of Repayment

The Department may use the same security and source of repayment (pledged revenues) for Swaps as is used for the bonds that are hedged or carried by the Swap, if any, but shall consider the economic costs and benefits of subordinating the Department's payments and/or termination payment under the Swap. The use of the same security and source of repayment (pledged revenues) is subject to the respective bond indenture's covenants and the prior approval of the Department's bond counsel.

X. Specified Indebtedness

The specified indebtedness related to credit events in any Swap should be narrowly defined and refer only to indebtedness of the Department that could have a materially adverse effect on the Department's ability to perform its obligations under the Swap. Debt should typically only include obligations within the same lien as the Swap obligation.

XI. Governing Law

Governing law for Swaps will be the State of Texas. Issues relating to jurisdiction, venue, waiver of jury trial and sovereign immunity will be subject to prevailing law and approval of the Texas Attorney General Office. Preference will be given to language providing that the counterparty will consent to jurisdiction in the Texas courts with respect to enforcement of the Agreement.

XII. Events of Default

Events of default of a Swap counterparty shall include, but are not limited to the counterparty's:

1. Failure to make payments when due;
2. Breach of representations and warranties;
3. Illegality;
4. Failure to comply with downgrade provisions; and
5. Failure to comply with any other provisions of the Agreement after a specified notice period.

XIII. Collateral Requirements

As part of any Swap, the Department may require the counterparty or the counterparty may require the Department to post collateral or other credit enhancement to secure any or all Swap payment obligations. As appropriate, the Chief Financial Officer and Director of Bond Finance may require collateral or other credit enhancement to be posted by each Swap counterparty under the following circumstances:

- Each counterparty to the Department may be required to post collateral if the credit rating of the counterparty or parent falls below a certain rating threshold, which varies by counterparty. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the credit support annex to each Swap with the Department. At the current time, collateral posting rating triggers by the counterparties would range from A2/A to Baa1/BBB+.
- Collateral shall consist of cash, U.S. Treasury securities, or other mutually acceptable highly liquid securities.

- Collateral shall be deposited with an eligible third party custodian, or as mutually agreed upon between the Department and each counterparty.
- The market value of the collateral shall be determined on at least a weekly basis.
- The Department will determine reasonable threshold limits for increments of collateral posting based on a sliding scale reflective of credit ratings.
- The Chief Financial Officer and Director of Bond Finance shall determine on a case-by-case basis whether a form of credit enhancement in lieu of, or in addition to, collateral is more beneficial to the Department.
- The Department shall seek to not post collateral to the counterparty unless the Department's ratings fall below "A2" or "A".

XIV. Other Criteria

The Department may use a competitive or a negotiated process to select a Swap counterparty and price a Swap as it believes business, market or competitive conditions justify such a process. The conditions under which a negotiated selection is best used are provided below.

- Marketing of the Swap will require complex explanations about the security for payment or credit quality.
- Demand is weak among Swap counterparties.
- Market timing is important, such as for refundings.
- Coordination of multiple components of the financing is required.
- The Swap has non-standard features.
- The par amount is large enough to move the market in a manner adverse to the Department's interests.
- Counterparties are likely to demand individual changes in bid documents.

If a transaction is awarded through a negotiated process, the counterparty will provide the Department with:

- A statement that, in the counterparty's judgment, the difference in basis points between the rate of the transaction and the mid-market rate for a comparable transaction falls within the commonly occurring range for comparable transactions.
- A statement of the amount of the difference as determined by the counterparty.
- If the counterparty does not know of a comparable transaction or mid-market rate, a statement of another suitable measure of pricing acceptable to the counterparty.

The Department will use a swap advisory firm to assist in the price negotiation. Such swap advisory firm shall act as the "qualified independent representative" ("QIR") of the Department for purposes of CFTC Rule 23.450 (b) (1) to advise the Department on swaps, provided that such firm provide certification to the Department addressing why such firm meets the requirements to act as a QIR pursuant to CFTC Regulation 23.450(b)(1). Also, the Department may obtain an opinion from an independent party that the terms and conditions of any derivative entered into reflect a fair market value of such derivatives as of the execution date.

The counterparty must provide to the Department disclosure of any payments the counterparty made to another person to procure the transaction.

Prior to or at execution of any new swap transaction, the swap dealer and/or swap advisor, as the case may be, shall provide information to the Department consistent with the rules and regulations in effect at the time. Such rules would include the Business Conduct Standards for Swap Dealers

and Major Swap Participants as published and enacted by the Commodity Futures Trading Commission. In addition the swap dealer should represent to the Department that it is in compliance with such rules including pay-to-play restrictions.

The Department will determine that the swap transaction will conform to this Interest Rate Swap Policy after reviewing a report of the Director of Bond Finance that identifies with respect to the transaction:

- its purpose;
- the anticipated economic benefit and the method used to determine the anticipated benefit;
- the use of the receipts of the transaction;
- the notional amount, amortization, and average life compared to the related obligation;
- any floating indices;
- its effective date and duration;
- the identity and credit rating of the counterparties;
- the cost and anticipated benefit of transaction insurance;
- the financial advisors and the legal advisors and their fees;
- any security for scheduled and early termination payments;
- any associated risks and risk mitigation features; and
- early termination provisions.

XV. Ongoing Monitoring and Reporting Requirements

Written records noting the status of all Swaps will be maintained by the Bond Finance Division and shall include the following information:

- Highlights of all material changes to Swaps or new Swaps entered into by the Department since the last report.
- Market value of each of the Swaps.
- The net impact of a 50 or 100 basis point parallel shift or other relevant shift in the appropriate Swap index or curve.
- For each counterparty, the total notional amount, the average life of each Swap and the remaining term of each Swap.
- The credit rating of each Swap counterparty and credit enhancer insuring Swap payments.
- Actual collateral posting by Swap counterparty, if any, in total by Swap counterparty.
- A summary of each Swap, including but not limited to the type of Swap, the rates paid by the Department and received by the Department, indices, and other key terms.
- Information concerning any default by a Swap counterparty to the Department, and the results of the default, including but not limited to the financial impact to the Department, if any.
- A summary of any Swaps that were terminated.

The Department will monitor its Swaps exposure on a periodic basis, as necessary, and will look for ways to reduce the cost of a Swap(s) or the overall Swap exposure.

The Bond Finance Division will monitor the performance of the QIR on an on-going basis.

The Department shall report its Swaps exposure in its annual financial statements and will reflect the use of derivatives in accordance with GASB requirements. With the adoption of GASB 53, the Department will be required to test hedge effectiveness on an annual basis. Any hedge deemed to be ineffective will result in the change in fair value being recorded as a gain or loss. While the long term economic value of the transaction should be more important when structuring a derivative, the Department should seek to structure transactions that are expected to be effective and would not result in changes in fair value affecting net income. For example, while a transaction structured to meet the Consistent Critical Terms method of GASB 53 would ensure hedge effectiveness, the Department should consider the tradeoffs of utilizing a transaction structure that may provide greater expected economic benefits at the expense of potentially not meeting hedge effectiveness. The disclosure requirements include:

1. Objective of the Derivative
2. Significant Terms
3. Fair Value
4. Associated Debt
5. Risks including but not limited to Credit Risk, Termination Risk, Interest Rate Risk, Basis Risk, Rollover Risk, Market Access Risk, Foreign Currency Risk.

The Chief Financial Officer and the Director of Bond Finance will review this Policy on an annual basis.

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BOARD ACTION REQUEST

BOND FINANCE DIVISION

APRIL 10, 2014

Presentation, Discussion, and Possible Action on Resolution No. 14-022 authorizing Transfer of Interest Rate Swap Transactions with Respect to Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B and Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H

RECOMMENDED ACTION

WHEREAS, the Department has previously issued its Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B pursuant to the Single Family Indenture and the Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2004, as amended by the First Amendment to Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated June 30, 2009;

WHEREAS, contemporaneously with the issuance of the 2004 Series B Bonds, the Department (i) entered into an interest rate swap transaction with UBS AG with respect to the 2004 Series B Bonds and (ii) obtained a swap insurance policy from Financial Security Assurance Inc. (predecessor to Assured Guaranty Municipal Corp.) with respect to the 2004B UBS Swap;

WHEREAS, the Department has also previously issued its Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H pursuant to the Single Family Indenture and the Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of November 1, 2006, as amended by the First Amendment to Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated March 26, 2009;

WHEREAS, contemporaneously with the issuance of the 2006 Series H Bonds, the Department entered into an interest rate swap transaction with UBS with respect to the 2006 Series H Bonds;

WHEREAS, the staff of the Department has recommended that the 2004B UBS Swap be restructured to change its amortization and optional par termination rights;

WHEREAS, UBS is no longer an active participant in the municipal derivatives market, and has indicated it is unwilling to agree to any changes to the 2004B UBS Swap;

WHEREAS, UBS is willing to allow the 2004B UBS Swap to be transferred to another counterparty, provided that the 2006H UBS Swap is transferred as well;

WHEREAS, in order to restructure the 2004B UBS Swap, the Governing Board has determined that it is in the best interests of the Department to transfer the UBS Swaps to a different counterparty, and in connection therewith, modify the amortization and optional par termination rights of the 2004B UBS Swap and adjust the fixed interest rate payable by the Department under each of the UBS Swaps;

WHEREAS, the Governing Board has determined to enter into the 2014 Swap Transactions with The Bank of New York Mellon or such other swap counterparty having a general credit rating of “A2” or “A” or higher approved by an Authorized Representative of the Department named in this Resolution;

WHEREAS, pursuant to the Act and Chapter 1371, Texas Government Code, as amended (“Chapter 1371”), in connection with the New 2004B Swap Transaction, the Governing Board desires to authorize the execution of a Novation Confirmation and an ISDA Master Agreement, Schedule and Credit Support Annex;

WHEREAS, pursuant to the Act and Chapter 1371, in connection with the New 2006H Swap Transaction, the Governing Board desires to authorize the execution of a Novation Confirmation and an ISDA Master Agreement, Schedule and Credit Support Annex;

WHEREAS, the Governing Board desires to approve the use of an amount not to exceed \$500,000 of indenture funds to pay costs of effecting the 2014 Swap Transactions;

WHEREAS, the Governing Board desires to approve taking of such other actions as may be necessary or convenient to carry out the purposes of this Resolution;

NOW, therefore, it is hereby

RESOLVED, that Resolution No. 14-022 is hereby adopted in the form presented to this meeting.

BACKGROUND

In April of 2004, the Texas Department of Housing and Community Affairs’ (the “Department”), in conjunction with the closing of its Single Family Mortgage Revenue Refunding Bonds, 2004 Series A & B entered into a swap agreement (the “2004 Swap”) with UBS AG.

In the spring of this year, the Department was informed that UBS AG was exiting the municipal swap business and, as such, would not be willing to work with the Department to modify the 2004 Swap. In addition, UBS AG informed the Department that a similar swap (the “2006

Swap) entered into with UBS AG in October of 2006 (in conjunction with the Department's Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H) would need to be assigned if the 2004B Swap was going to be assigned. The Department will consent to the assignment of the 2006 Swap but is not modifying any of the terms of that swap contract.

Department staff, in consultation with the Department's Bond Counsel (Bracewell & Giuliani) and Financial Adviser/Swap Advisor (George K. Baum) analyzed three restructuring alternatives:

- Partial Refunding of the Series 2004B Bonds.
- Partial Sale of Mortgage-Backed Securities.
- Restructuring of swap optional par termination rights.

The refunding and the MBS sale would result in a net INCREASE in costs; the swap restructure is anticipated to result in net savings to the Department.

Department staff, in consultation with the Co-Department's Bond Counsel (Bracewell & Giuliani and Bates and Coleman) and Financial Adviser/Swap Advisor (George K. Baum) prepared a term sheet outlining the key terms of the 2004 Swap – including the terms that the Department wanted to amend. In addition, the Department informed bidders that any successful bidder for the 2004 Swap would need to agree to an assignment of the 2006 Swap as a condition to acceptance. That term sheet, based on their qualifications consistent with the requirements of the Department's Swap Policy in effect at the time, was circulated to the following swap dealers:

- RBC Capital Markets
- The Bank of New York Mellon
- Wells Fargo Bank
- Goldman Sachs

Goldman Sachs dropped out of the bidding due to their internal requirement that the swap be rated. None of the Department's swaps are currently rated. RBC Capital Markets ultimately dropped out due to a concern that the rating trigger for an additional termination event was too high, given RBC's current rating level.

On Monday, March 10th, bids were received by George K. Baum, as our advisor, from the two remaining bidders. The Bank of New York Mellon was selected based upon their bid resulting in the lowest overall cost to the Department. Please see the attached Reports from the Director of Bond Finance for additional details related to the proposed swap restructure.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Timothy K. Irvine, Executive Director
From: Timothy Earl Nelson, Director of Bond Finance
CC: Tom Gouris, Deputy Executive Director of Asset Analysis and Management
Date: April 2, 2014
Subject: Report of the Director of Bond Finance Regarding Single Family 2004B Swap Novation from UBS AG to the Bank of New York Mellon

Pursuant to Section XIV of the Department's Swap Policy dated April 11, 2013, the Department will determine that the swap transaction will conform to this Interest Rate Swap Policy after reviewing a report of the Director of Bond Finance that identifies with respect to the transaction:

Purpose

The Department desires to transfer and restructure the Single Family 2004B swap contract in order to provide more optional par termination rights. In early 2014, the Department was informed that UBS AG was exiting the municipal swap business and, as such, would not be able to work with the Department to modify the existing swap contract.

Anticipated economic benefit and the method used to determine the anticipated benefit

Estimated net economic benefit (net of all costs) = \$1.4 million; plus, up to an additional \$2.5 million present value – such amount to be realized over time and is dependent upon the swap management decisions undertaken by staff.

Use of the receipts of the transaction

To pay the interest on the Series 2004B variable rate bonds.

Notional amount, amortization, and average life compared to the related obligation

2004B Notional Amount = \$40,000,000

Amortization and average life compared to the prior swap contract have been changed in order to shorten the average life. Please see the attached schedule.

Floating indices

65.5% of LIBOR plus 20 bps



Effective date and duration

The swap will be effective beginning May 1, 2014. The duration has been shortened; please see the attached schedule. The final termination date for the 2004B swap is September 1, 2034.

Identity and credit rating of the counterparties

The new swap counterparty is Bank of New York Mellon. Current rating is Aa2/stable outlook by Moody's, AA-/stable outlook by S&P, and AA- stable outlook by Fitch.

Cost and anticipated benefit of transaction insurance

Not applicable. Swap insurance from the prior swap counterparty is being assigned for a \$5,000 cost.

Financial advisors and the legal advisors and their fees

Financial Advisor– George K. Baum & Co. (\$50,000)
Swap Advisor– George K. Baum & Co. (\$62,500)
Cash Flow Analyst – George K. Baum & Co. (\$62,500)
Bond Counsel – Bracewell & Giuliani (\$135,000)
Co-Bond Counsel – Bates & Coleman (\$7,500)

Security for scheduled and early termination payments

The security for all payments made under the swap contract will be a subordinate pledge of assets under the Department's Single Family Mortgage Revenue Bond Indenture.

Associated risks and risk mitigation features

The new swap contract has all of the same risks that the prior swap contract contained. All of the prior risk mitigation strategies are available to the Department.

Early termination provisions

The new swap contract has additional optional par termination rights for the Department; please see the attached schedule.

Notional Schedule - Original Confirmation

**Notional Schedule -- March 1, 2014
Optional Early Termination Exercise**

Novated and Restructured on May 1, 2014

2004B

Period		Outstanding	60% Callable Notional	Period		Remaining Outstanding	Minimum Outstanding	Period	Maximum Outstanding	Additional	Minimum Outstanding	Additional
Start Date	End Date	Notional	Notional	Start Date	Call Amount	Notional	Notional	Start Date	Notional	Notional	Notional	Optionality
9/1/2004	3/1/2014	53,000,000	-									
3/1/2014	9/1/2014	53,000,000	31,800,000	3/1/2014	13,000,000	40,000,000	21,200,000	5/1/2014	40,000,000	-	40,000,000	(18,800,000)
9/1/2014	3/1/2015	53,000,000	31,800,000	9/1/2014		40,000,000	21,200,000	9/1/2014	40,000,000	-	40,000,000	(18,800,000)
3/1/2015	9/1/2015	52,105,000	31,263,000	3/1/2015		39,325,000	20,845,000	3/1/2015	40,000,000	675,000	40,000,000	(19,155,000)
9/1/2015	3/1/2016	51,195,000	30,717,000	9/1/2015		38,640,000	20,480,000	9/1/2015	40,000,000	1,360,000	33,530,000	(13,050,000)
3/1/2016	9/1/2016	50,265,000	30,159,000	3/1/2016		37,935,000	20,110,000	3/1/2016	40,000,000	2,065,000	33,530,000	(13,420,000)
9/1/2016	3/1/2017	49,320,000	29,592,000	9/1/2016		37,225,000	19,730,000	9/1/2016	40,000,000	2,775,000	33,530,000	(13,800,000)
3/1/2017	9/1/2017	48,360,000	29,016,000	3/1/2017		36,500,000	19,345,000	3/1/2017	40,000,000	3,500,000	27,020,000	(7,675,000)
9/1/2017	3/1/2018	47,380,000	28,428,000	9/1/2017		35,760,000	18,955,000	9/1/2017	40,000,000	4,240,000	27,020,000	(8,065,000)
3/1/2018	9/1/2018	46,380,000	27,828,000	3/1/2018		35,005,000	18,555,000	3/1/2018	38,860,000	3,855,000	26,250,000	(7,695,000)
9/1/2018	3/1/2019	45,360,000	27,216,000	9/1/2018		34,235,000	18,145,000	9/1/2018	37,535,000	3,300,000	19,405,000	(1,260,000)
3/1/2019	9/1/2019	44,320,000	26,592,000	3/1/2019		33,450,000	17,730,000	3/1/2019	36,225,000	2,775,000	18,730,000	(1,000,000)
9/1/2019	3/1/2020	43,260,000	25,956,000	9/1/2019		32,650,000	17,305,000	9/1/2019	34,930,000	2,280,000	15,470,000	1,835,000
3/1/2020	9/1/2020	42,180,000	25,308,000	3/1/2020		31,835,000	16,875,000	3/1/2020	33,640,000	1,805,000	14,895,000	1,980,000
9/1/2020	3/1/2021	41,085,000	24,651,000	9/1/2020		31,010,000	16,435,000	9/1/2020	32,365,000	1,355,000	14,335,000	2,100,000
3/1/2021	9/1/2021	39,965,000	23,979,000	3/1/2021		30,160,000	15,990,000	3/1/2021	31,100,000	940,000	13,775,000	2,215,000
9/1/2021	3/1/2022	38,825,000	23,295,000	9/1/2021		29,300,000	15,530,000	9/1/2021	29,845,000	545,000	-	15,530,000
3/1/2022	9/1/2022	37,660,000	22,596,000	3/1/2022		28,425,000	15,065,000	3/1/2022	28,605,000	180,000	-	15,065,000
9/1/2022	3/1/2023	36,475,000	21,885,000	9/1/2022		27,530,000	14,590,000	9/1/2022	27,370,000	(160,000)	-	14,590,000
3/1/2023	9/1/2023	35,270,000	21,162,000	3/1/2023		26,620,000	14,110,000	3/1/2023	26,145,000	(475,000)	-	14,110,000
9/1/2023	3/1/2024	34,040,000	20,424,000	9/1/2023		25,690,000	13,620,000	9/1/2023	24,930,000	(760,000)	-	13,620,000
3/1/2024	9/1/2024	32,790,000	19,674,000	3/1/2024		24,745,000	13,120,000	3/1/2024	23,725,000	(1,020,000)	-	13,120,000
9/1/2024	3/1/2025	31,515,000	18,909,000	9/1/2024		23,785,000	12,610,000	9/1/2024	22,530,000	(1,255,000)	-	12,610,000
3/1/2025	9/1/2025	30,215,000	18,129,000	3/1/2025		22,805,000	12,090,000	3/1/2025	21,345,000	(1,460,000)	-	12,090,000
9/1/2025	3/1/2026	28,885,000	17,331,000	9/1/2025		21,800,000	11,555,000	9/1/2025	20,165,000	(1,635,000)	-	11,555,000
3/1/2026	9/1/2026	27,530,000	16,518,000	3/1/2026		20,775,000	11,015,000	3/1/2026	18,995,000	(1,780,000)	-	11,015,000
9/1/2026	3/1/2027	25,605,000	15,363,000	9/1/2026		19,325,000	10,245,000	9/1/2026	17,830,000	(1,495,000)	-	10,245,000
3/1/2027	9/1/2027	23,505,000	14,103,000	3/1/2027		17,740,000	9,405,000	3/1/2027	16,675,000	(1,065,000)	-	9,405,000
9/1/2027	3/1/2028	21,475,000	12,885,000	9/1/2027		16,210,000	8,590,000	9/1/2027	15,530,000	(680,000)	-	8,590,000
3/1/2028	9/1/2028	19,515,000	11,709,000	3/1/2028		14,730,000	7,810,000	3/1/2028	14,395,000	(335,000)	-	7,810,000
9/1/2028	3/1/2029	17,610,000	10,566,000	9/1/2028		13,290,000	7,045,000	9/1/2028	13,265,000	(25,000)	-	7,045,000
3/1/2029	9/1/2029	15,775,000	9,465,000	3/1/2029		11,905,000	6,310,000	3/1/2029	12,140,000	235,000	-	6,310,000
9/1/2029	3/1/2030	14,005,000	8,403,000	9/1/2029		10,570,000	5,605,000	9/1/2029	11,025,000	455,000	-	5,605,000
3/1/2030	9/1/2030	12,295,000	7,377,000	3/1/2030		9,280,000	4,920,000	3/1/2030	9,915,000	635,000	-	4,920,000
9/1/2030	3/1/2031	10,655,000	6,393,000	9/1/2030		8,040,000	4,265,000	9/1/2030	8,815,000	775,000	-	4,265,000
3/1/2031	9/1/2031	9,075,000	5,445,000	3/1/2031		6,850,000	3,630,000	3/1/2031	7,720,000	870,000	-	3,630,000
9/1/2031	3/1/2032	7,555,000	4,533,000	9/1/2031		5,700,000	3,025,000	9/1/2031	6,635,000	935,000	-	3,025,000
3/1/2032	9/1/2032	6,105,000	3,663,000	3/1/2032		4,610,000	2,445,000	3/1/2032	5,565,000	955,000	-	2,445,000
9/1/2032	3/1/2033	4,720,000	2,832,000	9/1/2032		3,560,000	1,890,000	9/1/2032	4,505,000	945,000	-	1,890,000
3/1/2033	9/1/2033	3,400,000	2,040,000	3/1/2033		2,565,000	1,360,000	3/1/2033	3,485,000	920,000	-	1,360,000
9/1/2033	3/1/2034	2,155,000	1,293,000	9/1/2033		1,625,000	865,000	9/1/2033	2,505,000	880,000	-	865,000
3/1/2034	9/1/2034	995,000	597,000	3/1/2034		750,000	400,000	3/1/2034	1,635,000	885,000	-	400,000
9/1/2034	3/1/2035	-	-	9/1/2034		-	-					

Average Life*:	11.483	11.483	6.244	11.833	4.802
Duration @ 3.843%:	9.021	9.021	4.938	9.318	4.349

* from 5/1/2014



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Timothy K. Irvine, Executive Director
From: Timothy Earl Nelson, Director of Bond Finance
CC: Tom Gouris, Deputy Executive Director of Asset Analysis and Management
Date: April 2, 2014
Subject: Report of the Director of Bond Finance Regarding Single Family 2006H Swap Novation from UBS AG to the Bank of New York Mellon

Pursuant to Section XIV of the Department's Swap Policy dated April 11, 2013, the Department will determine that the swap transaction will conform to this Interest Rate Swap Policy after reviewing a report of the Director of Bond Finance that identifies with respect to the transaction:

Purpose

The Department desires to assign the Single Family 2006H swap contract as part of the assignment and restructure of the 2004B Swap. In early 2014, the Department was informed that UBS AG was exiting the municipal swap business. The Department is consenting to the assignment of this swap but is not modifying any of the terms of the swap contract.

Anticipated economic benefit and the method used to determine the anticipated benefit

Cost to assign the swap has been incorporated into the cost/benefit analysis of the 2004B swap assignment; the assignment of the 2006H swap was a prerequisite to the assignment and restructuring of the 2004B swap.

Use of the receipts of the transaction

To pay the interest on the Series 2006H variable rate bonds.

Notional amount, amortization, and average life compared to the related obligation

2006H Notional Amount = \$36,000,000

Amortization and average life have not been changed

Floating indices

63% of LIBOR plus 30 bps



Effective date and duration

The swap will be effective beginning May 1, 2014. The duration remains unchanged. The final termination date for the 2006H swap is September 1, 2025.

Identity and credit rating of the counterparties

The new swap counterparty is Bank of New York Mellon. Current rating is Aa2/stable outlook by Moody's, AA-/stable outlook by S&P, and AA- stable outlook by Fitch.

Cost and anticipated benefit of transaction insurance

Not applicable

Financial advisors and the legal advisors and their fees

Swap Advisor– George K. Baum & Co. (\$45,000)
Bond Counsel – Bracewell & Giuliani (\$15,000)
Co-Bond Counsel – Bates & Coleman (\$7,500)

Security for scheduled and early termination payments

The security for all payments made under the swap contract will be a subordinate pledge of assets under the Department's Single Family Mortgage Revenue Bond Indenture.

Associated risks and risk mitigation features

The assigned swap contract has all of the same risks that the prior swap contract contained. All of the prior risk mitigation strategies are available to the Department.

Early termination provisions

The swap contract has optional par termination rights for the Department; please see the attached schedule.

Notional Schedule - Original Confirmation

2006H

Novated on May 1, 2014 (Not Restructured)

Period Start Date	Period End Date	Remaining Outstanding Notional	Minimum Outstanding Notional	Period Start Date	Maximum Outstanding Notional	Additional Notional	Minimum Outstanding Notional	Additional Optionality
5/1/2014	9/1/2014	36,000,000	36,000,000	5/1/2014	36,000,000	-	36,000,000	-
9/1/2014	3/1/2015	36,000,000	36,000,000	9/1/2014	36,000,000	-	36,000,000	-
3/1/2015	9/1/2015	36,000,000	36,000,000	3/1/2015	36,000,000	-	36,000,000	-
9/1/2015	3/1/2016	34,740,000	34,740,000	9/1/2015	34,740,000	-	34,740,000	-
3/1/2016	9/1/2016	32,145,000	-	3/1/2016	32,145,000	-	-	-
9/1/2016	3/1/2017	29,650,000	-	9/1/2016	29,650,000	-	-	-
3/1/2017	9/1/2017	27,250,000	-	3/1/2017	27,250,000	-	-	-
9/1/2017	3/1/2018	24,945,000	-	9/1/2017	24,945,000	-	-	-
3/1/2018	9/1/2018	22,740,000	-	3/1/2018	22,740,000	-	-	-
9/1/2018	3/1/2019	20,625,000	-	9/1/2018	20,625,000	-	-	-
3/1/2019	9/1/2019	18,595,000	-	3/1/2019	18,595,000	-	-	-
9/1/2019	3/1/2020	16,655,000	-	9/1/2019	16,655,000	-	-	-
3/1/2020	9/1/2020	14,800,000	-	3/1/2020	14,800,000	-	-	-
9/1/2020	3/1/2021	13,040,000	-	9/1/2020	13,040,000	-	-	-
3/1/2021	9/1/2021	11,360,000	-	3/1/2021	11,360,000	-	-	-
9/1/2021	3/1/2022	9,760,000	-	9/1/2021	9,760,000	-	-	-
3/1/2022	9/1/2022	8,250,000	-	3/1/2022	8,250,000	-	-	-
9/1/2022	3/1/2023	6,820,000	-	9/1/2022	6,820,000	-	-	-
3/1/2023	9/1/2023	5,465,000	-	3/1/2023	5,465,000	-	-	-
9/1/2023	3/1/2024	4,200,000	-	9/1/2023	4,200,000	-	-	-
3/1/2024	9/1/2024	3,010,000	-	3/1/2024	3,010,000	-	-	-
9/1/2024	3/1/2025	1,900,000	-	9/1/2024	1,900,000	-	-	-
3/1/2025	9/1/2025	865,000	-	3/1/2025	865,000	-	-	-
9/1/2025	3/1/2026	-	-	9/1/2025	-	-	-	-

Average Life*:

5.595

1.816

5.595

1.816

Duration @ 3.857%

4.960

1.770

4.960

1.770

* from 5/1/2014

RESOLUTION NO. 14-022

RESOLUTION APPROVING TRANSFER OF INTEREST RATE SWAP TRANSACTIONS WITH RESPECT TO SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE REFUNDING BONDS, 2004 SERIES B AND SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, 2006 SERIES H; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS RELATING TO THE FOREGOING; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Department has issued from time to time various series of its Single Family Mortgage Revenue Bonds pursuant to the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 (as heretofore amended and supplemented, the "Single Family Indenture") between the Department, as successor to the Texas Housing Agency, and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"); and

WHEREAS, the Department has previously issued its Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B (the "2004 Series B Bonds") pursuant to the Single Family Indenture and the Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2004, as amended by the First Amendment to Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated June 30, 2009, each between the Department and the Trustee (collectively, the "Thirty-Seventh Supplemental Indenture"); and

WHEREAS, contemporaneously with the issuance of the 2004 Series B Bonds, the Department (i) entered into an interest rate swap transaction with UBS AG ("UBS") with respect to the 2004 Series B Bonds (the "2004B UBS Swap") and (ii) obtained a swap insurance policy from Financial Security Assurance Inc. (predecessor to Assured Guaranty Municipal Corp.) (the "2004B Swap Insurance") with respect to the 2004B UBS Swap; and

WHEREAS, the Department has also previously issued its Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H (the "2006 Series H Bonds") pursuant to the Single Family Indenture and the Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of November 1, 2006, as amended by the First Amendment to Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated March 26, 2009, each between the Department and the Trustee (collectively, the "Fifty-Third Supplemental Indenture"); and

WHEREAS, contemporaneously with the issuance of the 2006 Series H Bonds, the Department entered into an interest rate swap transaction with UBS with respect to the 2006 Series H Bonds (the "2006H UBS Swap," and together with the 2004B UBS Swap, the "UBS Swaps"); and

WHEREAS, the staff of the Department has recommended that the 2004B UBS Swap be restructured to change its amortization and optionality; and

WHEREAS, UBS is no longer an active participant in the municipal derivatives market, and has indicated it is unwilling to agree to any changes to the 2004B UBS Swap; and

WHEREAS, UBS is willing to allow the 2004B UBS Swap to be transferred to another counterparty, provided that the 2006H UBS Swap is transferred as well; and

WHEREAS, in order to restructure the 2004B UBS Swap, the Governing Board has determined that it is in the best interests of the Department to transfer the UBS Swaps to a different counterparty, and in connection therewith, modify the amortization and optionality of the 2004B UBS Swap and adjust the fixed interest rate (the "Fixed Rate") payable by the Department under each of the UBS Swaps (such transferred and modified interest rate swap transactions are referred to herein as the "New 2004B Swap Transaction" and the "New 2006H Swap Transaction," respectively, and collectively, the "2014 Swap Transactions"); and

WHEREAS, the Governing Board has determined to enter into the 2014 Swap Transactions with The Bank of New York Mellon or such other swap counterparty having a general credit rating of at least "A2" or "A" approved by an Authorized Representative of the Department named in this Resolution (in any event, the "2014 Swap Counterparty"); and

WHEREAS, pursuant to the Act and Chapter 1371, Texas Government Code, as amended ("Chapter 1371"), in connection with the New 2004B Swap Transaction, the Governing Board desires to authorize the execution of a Novation Confirmation and an ISDA Master Agreement, Schedule and Credit Support Annex (collectively, the "2004B Swap Agreement") in substantially the form attached hereto; and

WHEREAS, pursuant to the Act and Chapter 1371, in connection with the New 2006H Swap Transaction, the Governing Board desires to authorize the execution of a Novation Confirmation and an ISDA Master Agreement, Schedule and Credit Support Annex (collectively, the "2006H Swap Agreement") in substantially the form attached hereto; and

WHEREAS, the Governing Board desires to approve the use of an amount not to exceed \$500,000 of Department funds to pay costs of effecting the 2014 Swap Transactions; and

WHEREAS, the Governing Board desires to approve taking of such other actions as may be necessary or convenient to carry out the purposes of this Resolution;

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

ARTICLE 1

APPROVAL OF DOCUMENTS AND CERTAIN ACTIONS

Section 1.1 Approval of New 2004B Swap Transaction and 2004B Swap Agreement. The New 2004B Swap Transaction is hereby authorized and approved. In connection therewith, the form and substance of the 2004B Swap Agreement is hereby approved, and the Authorized Representatives are hereby severally directed and authorized, in the name and on behalf of the Department, to execute and deliver, and, if requested, affix the seal of the Department to, the 2004B Swap Agreement. The Authorized Representative executing the 2004B Swap Agreement shall approve the Fixed Rate applicable to the New 2004B Swap Transaction, provided that such Fixed Rate shall not exceed 3.843% per annum.

Section 1.2 Approval of New 2006H Swap Transaction and 2006H Swap Agreement. The New 2006H Swap Transaction is hereby authorized and approved. In connection therewith, the form and substance of the 2006H Swap Agreement is hereby approved, and the Authorized Representatives are hereby severally directed and authorized, in the name and on behalf of the Department, to execute and deliver, and, if requested,

affix the seal of the Department to, the 2006H Swap Agreement. The Authorized Representative executing the 2006H Swap Agreement shall approve the Fixed Rate applicable to the New 2006H Swap Transaction, provided that such Fixed Rate shall not exceed 3.857% per annum.

Section 1.3 Execution and Delivery of Other Documents. The Authorized Representatives are each hereby authorized to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, including, without limitation, any documents relating to transfer of the 2004B Swap Insurance.

Section 1.4 Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the Authorized Representatives are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such Authorized Representative, and in the opinion of Bracewell & Giuliani LLP and Bates & Coleman, P.C., Co-Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the Authorized Representatives.

Section 1.5 Exhibits Incorporated Herein. All of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

- Exhibit A - 2004B Swap Agreement
- Exhibit B - 2006H Swap Agreement

Section 1.6 Authorized Representatives. The following persons are hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Governing Board, the Executive Director of the Department, the Director of Bond Finance of the Department, the Director of Texas Homeownership of the Department, the Director of Multifamily Finance of the Department, and the Secretary or any Assistant Secretary to the Governing Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Representatives is authorized to act individually as set forth in this Resolution.

Section 1.7 Approval of Submission to the Attorney General of Texas. The Governing Board hereby authorizes the Department's Bond Counsel to submit to the Attorney General of Texas, for his approval, one or more transcripts of the legal proceedings authorizing the 2014 Swap Transactions.

Section 1.8 Authorization to Pay Costs. The Governing Board hereby authorizes the contribution of Department funds in an amount not to exceed \$500,000 to pay certain costs of effecting the 2014 Swap Transactions.

Section 1.9 Ratifying Other Actions. All other actions taken or to be taken by the Executive Director and the Department's staff in connection with the 2014 Swap Transactions are hereby ratified and confirmed.

ARTICLE 2

GENERAL PROVISIONS

Section 2.1 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Governing Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings

Act, Chapter 551 of the Texas Government Code, and with §2306.032 of the Texas Government Code, regarding meetings of the Governing Board.

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

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 10th day of April, 2014.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

3c

BOARD ACTION REQUEST

BOND FINANCE DIVISION

APRIL 10, 2014

Presentation, Discussion, and Possible Action on Resolution No. 14-023 authorizing Amendments to the Supplemental Indentures for the Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B and Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H

RECOMMENDED ACTION

WHEREAS, the Department has previously issued its (i) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B pursuant to the Single Family Indenture and the Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2004, as amended by the First Amendment to Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated June 30, 2009, and (ii) Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H pursuant to the Single Family Indenture and the Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of November 1, 2006, as amended by the First Amendment to Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated March 26, 2009;

WHEREAS, in connection with the original issuance of the Bonds, the Department entered into separate interest rate swap transactions with UBS AG;

WHEREAS, the Department has determined to transfer the Original Swap Transactions and will enter into new interest rate swap transactions in accordance with Resolution No. 14-022 dated the date hereof;

WHEREAS, the Department desires to authorize the execution and delivery of (i) a Second Amendment to Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture with respect to the 2004 Series B Bonds and (ii) a Second Amendment to Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture with respect to the 2006 Series H Bonds for the purpose of establishing additional subaccounts within the Supplemental Indentures; and

WHEREAS, the Governing Board desires to approve taking of such other actions as may be necessary or convenient to carry out the purposes of this Resolution;

NOW, therefore, it is hereby

RESOLVED, that Resolution No. 14-023 is hereby adopted in the form presented to this meeting.

BACKGROUND

In April of 2004, the Texas Department of Housing and Community Affairs (the “Department”), in conjunction with the closing of its Single Family Mortgage Revenue Refunding Bonds, 2004 Series A & B entered into a swap agreement (the “2004 Swap”) with UBS AG.

In the spring of this year, the Department was informed that UBS AG was exiting the municipal swap business and, as such, would not be willing to work with the Department to modify the 2004B Swap. In addition, UBS AG informed the Department that a similar swap (the “2006 Swap”) entered into with UBS AG in October of 2006 (in conjunction with the Department’s Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H) would need to be assigned if the 2004B Swap was going to be assigned. The Department will consent to the assignment of the 2006 Swap but is not modifying any of the terms of that swap contract.

Department staff, in consultation with the Department’s Co-Bond Counsel (Bracewell & Giuliani and Bates & Coleman) and Financial Adviser/Swap Advisor (George K. Baum) prepared a term sheet outlining the key terms of the 2004 Swap – including the terms that the Department wanted to amend. In addition, the Department informed bidders that any successful bidder for the 2004 Swap would need to agree to an assignment of the 2006 Swap contract as a condition to acceptance. That term sheet, based on their qualifications consistent with the requirements of the Department’s Swap Policy in effect at the time, was circulated to the following swap dealers:

- RBC Capital Markets
- The Bank of New York Mellon
- Wells Fargo Bank
- Goldman Sachs

Goldman Sachs dropped out of the bidding due to their internal requirement that the swap be rated. None of the Department’s swaps are currently rated. RBC Capital Markets ultimately dropped out due to a concern that the rating trigger for an additional termination event was too high, given RBC’s current rating level.

On Monday, March 10th, bids were received by George K. Baum from the two remaining bidders. The Bank of New York Mellon was selected based upon their bid resulting in the lowest overall cost to the Department.

As a condition to its bid, Bank of New York Mellon asked for a minor amendment to the prior indentures to create an additional subaccount of the Surplus Fund. These amounts would be used in the event that any termination payments needed to be made by the Department to The Bank of New York Mellon.

RESOLUTION NO. 14-023

RESOLUTION AUTHORIZING AMENDMENTS TO THE SUPPLEMENTAL INDENTURES FOR THE SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE REFUNDING BONDS, 2004 SERIES B AND SINGLE FAMILY VARIABLE RATE MORTGAGE REVENUE BONDS, 2006 SERIES H; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS RELATING TO THE FOREGOING; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Department has issued from time to time various series of its Single Family Mortgage Revenue Bonds pursuant to the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 (as heretofore amended and supplemented, the "Single Family Indenture") between the Department, as successor to the Texas Housing Agency, and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"); and

WHEREAS, the Department has previously issued its (i) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B (the "2004 Series B Bonds") pursuant to the Single Family Indenture and the Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of April 1, 2004, as amended by the First Amendment to Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated June 30, 2009, each between the Department and the Trustee (collectively, the "Thirty-Seventh Supplemental Indenture"), and (ii) Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H (the "2006 Series H Bonds") pursuant to the Single Family Indenture and the Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of November 1, 2006, as amended by the First Amendment to Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated March 26, 2009, each between the Department and the Trustee (collectively, the "Fifty-Third Supplemental Indenture"); and

WHEREAS, the 2004 Series B Bonds and the 2006 Series H Bonds are hereinafter collectively referred to as the "Bonds" and the Thirty-Seventh Supplemental Indenture and the Fifty-Third Supplemental Indenture are hereinafter collectively referred to as the "Supplemental Indentures"; and

WHEREAS, in connection with the original issuance of the Bonds, the Department entered into separate interest rate swap transactions with UBS AG (the "Original Swap Transactions"); and

WHEREAS, the Department has determined to transfer the Original Swap Transactions and will enter into new interest rate swap transactions in accordance with Resolution No. 14-022 dated the date hereof; and

WHEREAS, the Department desires to authorize the execution and delivery of (i) a Second Amendment to Thirty-Seventh Supplemental Single Family Mortgage Revenue Bond Trust Indenture between the Department and the Trustee with respect to the 2004 Series B Bonds and (ii) a Second Amendment to Fifty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture between the Department and the Trustee with respect to the 2006 Series H Bonds (collectively, the "Second Amendments") for the purpose of establishing additional subaccounts within the Supplemental Indentures; and

WHEREAS, the Governing Board desires to approve taking of such other actions as may be necessary or convenient to carry out the purposes of this Resolution;

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

ARTICLE 1

APPROVAL OF DOCUMENTS AND CERTAIN ACTIONS

Section 1.1 Approval of Second Amendments. The form and substance of the Second Amendments are hereby approved, and the Authorized Representatives of the Department named in this Resolution are each hereby authorized and empowered to execute the Second Amendments and to deliver the Second Amendments to the Trustee.

Section 1.2 Execution and Delivery of Other Documents. The Authorized Representatives are each hereby authorized to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3 Power to Revise Form of Documents. Notwithstanding any other provision of this Resolution, the Authorized Representatives are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such Authorized Representative, and in the opinion of Bracewell & Giuliani LLP and Bates & Coleman, P.C., Co-Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the Authorized Representatives.

Section 1.4 Exhibits Incorporated Herein. All of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit A - Second Amendments

Section 1.5 Authorized Representatives. The following persons are hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Governing Board, the Executive Director of the Department, the Director of Bond Finance of the Department, the Director of Texas Homeownership of the Department, the Director of Multifamily Finance of the Department, and the Secretary or any Assistant Secretary to the Governing Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Representatives is authorized to act individually as set forth in this Resolution.

Section 1.6 Ratifying Other Actions. All other actions taken or to be taken by the Executive Director and the Department's staff in connection with the Second Amendments are hereby ratified and confirmed.

ARTICLE 2

GENERAL PROVISIONS

Section 2.1 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Governing Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with §2306.032 of the Texas Government Code, regarding meetings of the Governing Board.

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

[EXECUTION PAGE FOLLOWS]

PASSED AND APPROVED this 10th day of April, 2014.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

3d

BOARD ACTION REQUEST

BOND FINANCE DIVISION

APRIL 10, 2014

Presentation, Discussion, and Possible Action on Resolution No. 14-024 authorizing Certain Actions Relating to Interest Rate Swap Transactions

RECOMMENDED ACTION

WHEREAS, the Department has previously issued its (i) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B; (ii) Single Family Variable Rate Mortgage Revenue Bonds, 2004 Series D; (iii) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series A; (iv) Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H; and (v) Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A;

WHEREAS, the Department entered into separate interest rate swap transactions with (i) UBS AG with respect to the 2004 Series B Bonds, (ii) Goldman Sachs Bank USA, successor to Goldman Sachs Capital Markets, L.P., with respect to the 2004 Series D Bonds, (iii) JPMorgan Chase Bank, N.A., assignee of Bear Stearns Financial Products Inc. (“JPMorgan”), with respect to the 2005 Series A Bonds, (iv) UBS AG with respect to the 2006 Series H Bonds and (v) JPMorgan with respect to the 2007 Series A Bonds;

WHEREAS, it is possible that following the mandatory redemption from time to time of a series of Swapped Bonds, the notional amount of the related Swap Transaction will exceed the principal amount of such Swapped Bonds;

WHEREAS, upon the occurrence of such an event, the Governing Board desires to authorize any Authorized Representative (as defined below) to take certain actions, including causing any portion of the notional amount of a Swap Transaction that exceeds the principal amount of the related Swapped Bonds to be transferred to any of the bonds (collectively, the “Taxable Bonds”);

WHEREAS, any such transfer would place the obligation of the Department, as represented by the Taxable Bonds and the Swap Transactions, to be placed, in whole or in part, on the basis desired by the Governing Board;

WHEREAS, the Governing Board desires to approve taking of such other actions as may be necessary or convenient to carry out the purposes of this Resolution;

NOW, therefore, it is hereby

RESOLVED, that Resolution No. 14-024 is hereby adopted in the form presented to this meeting.

BACKGROUND

In connection with five separate issues of tax-exempt single family mortgage bonds issued between April of 2004 and June of 2007, the Texas Department of Housing and Community Affairs' (the "Department") entered into five separate swap transactions with three different swap counterparties.

Federal tax law requires that an issuer use any prepayments received from borrowers on and after 10 years from the issue date to redeem related bonds (whether fixed or variable rate) within a relatively short period of time (the "10-year Rule"). Under Texas state law, there is a prohibition against having a swap contract outstanding pursuant to which the swap "notional" value is in excess of the outstanding principal amount of related variable rate bonds to which the swap contract is allocated (i.e., being "over-swapped"). Thus, mandatory redemptions pursuant to the 10-year Rule could cause the bonds to be "over-swapped" for State law purposes.

Staff is seeking approval from the Board to allow Staff to reallocate any of the current five swap contracts to any of the Department's currently outstanding taxable bond issues should a situation arise moving forward where compliance with the "10-year Rule" would result in the related variable rate bond issue being "over-swapped." Staff would report to the Board in the future any reallocations that would result from this Board action, if and when they should occur.

RESOLUTION NO. 14-024

RESOLUTION AUTHORIZING CERTAIN ACTIONS RELATING TO INTEREST RATE SWAP TRANSACTIONS; AUTHORIZING THE EXECUTION OF DOCUMENTS AND INSTRUMENTS RELATING TO THE FOREGOING; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Department has issued from time to time various series of its Single Family Mortgage Revenue Bonds ("Single Family Bonds") pursuant to the Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 (as heretofore amended and supplemented, the "Single Family Indenture") between the Department, as successor to the Texas Housing Agency, and The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee"); and

WHEREAS, the Department has previously issued its (i) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B (the "2004 Series B Bonds"); (ii) Single Family Variable Rate Mortgage Revenue Bonds, 2004 Series D (the "2004 Series D Bonds"); (iii) Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series A (the "2005 Series A Bonds"); (iv) Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H (the "2006 Series H Bonds"); and (v) Single Family Variable Rate Mortgage Revenue Bonds, 2007 Series A (the "2007 Series A Bonds" and together with the 2004 Series B Bonds, the 2004 Series D Bonds, the 2005 Series A Bonds and the 2006 Series H Bonds, the "Swapped Bonds"); and

WHEREAS, the Department entered into separate interest rate swap transactions with (i) UBS AG with respect to the 2004 Series B Bonds (to the extent such may be transferred and modified, the "2004 Series B Swap"), (ii) Goldman Sachs Bank USA, successor to Goldman Sachs Capital Markets, L.P., with respect to the 2004 Series D Bonds (the "2004 Series D Swap"), (iii) JPMorgan Chase Bank, N.A., assignee of Bear Stearns Financial Products Inc. ("JPMorgan"), with respect to the 2005 Series A Bonds (the "2005 Series A Swap"), (iv) UBS AG with respect to the 2006 Series H Bonds (to the extent such may be transferred and modified, the "2006 Series H Swap") and (v) JPMorgan with respect to the 2007 Series A Bonds (the "2007 Series A Swap" and together with the 2004 Series B Swap, the 2004 Series D Swap, the 2005 Series A Swap and the 2006 Series H Swap, collectively, the "Swap Transactions"); and

WHEREAS, it is possible that following the mandatory redemption from time to time of a series of Swapped Bonds, the notional amount of the related Swap Transaction will exceed the principal amount of such Swapped Bonds; and

WHEREAS, upon the occurrence of such an event, the Governing Board desires to authorize any Authorized Representative (as defined below) to take certain actions, including causing any portion of the notional amount of a Swap Transaction that exceeds the principal amount of the related Swapped Bonds to be transferred to any of the bonds (collectively, the "Taxable Bonds") described in Exhibit A hereto; and

WHEREAS, any such transfer would place the obligation of the Department, as represented by the Taxable Bonds and the Swap Transactions, to be placed, in whole or in part, on the basis desired by the Governing Board; and

WHEREAS, the Governing Board desires to approve taking of such other actions as may be necessary or convenient to carry out the purposes of this Resolution;

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

ARTICLE 1

AUTHORIZATION OF ACTIONS RELATED TO SWAP TRANSACTIONS

Section 1.1 Actions Related to Swap Transactions. If as a result of any mandatory redemption of a series of Swapped Bonds the notional amount of the related Swap Transaction will exceed the principal amount of such Swapped Bonds, the Authorized Representatives are each hereby authorized and directed to take one of the following actions as the Authorized Representative taking such action determines to be in the best interests of the Department: (i) terminate the portion of the Swap Transaction in excess of the principal amount of the related Swapped Bonds, (ii) terminate the Swap Transaction in whole, or (iii) transfer the portion of the Swap Transaction in excess of the principal amount of the related Swapped Bonds to any of the Taxable Bonds, provided that following any such transfer, the aggregate notional amount of any interest rate swap transactions relating to such Taxable Bonds does not exceed the principal amount of such Taxable Bonds at the time of such transfer, or any future date based upon the scheduled amortization of such interest rate swap transactions and the scheduled or expected amortization of such Taxable Bonds.

Section 1.2 Execution and Delivery of Documents. The Authorized Representatives are each hereby authorized to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, and to take such other actions, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3 Authorized Representatives. The following persons are hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article 1: the Chair or Vice Chair of the Governing Board, the Executive Director of the Department, the Director of Bond Finance of the Department, the Director of Texas Homeownership of the Department, the Director of Multifamily Finance of the Department, and the Secretary or any Assistant Secretary to the Governing Board. Such persons are referred to herein collectively as the "Authorized Representatives." Any one of the Authorized Representatives is authorized to act individually as set forth in this Resolution.

Section 1.4 Ratifying Other Actions. All other actions previously taken by the Executive Director and the Department's staff in connection with the Swap Transactions are hereby ratified and confirmed.

ARTICLE 2

GENERAL PROVISIONS

Section 2.1 Notice of Meeting. This Resolution was considered and adopted at a meeting of the Governing Board that was noticed, convened, and conducted in full compliance with the Texas Open Meetings Act, Chapter 551 of the Texas Government Code, and with §2306.032 of the Texas Government Code, regarding meetings of the Governing Board.

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

PASSED AND APPROVED this 10th day of April, 2014.

Chair, Governing Board

ATTEST:

Secretary to the Governing Board

(SEAL)

EXHIBIT A

Taxable Bonds

Taxable Junior Lien Single Family Variable Rate Mortgage Revenue Bonds, Series 2004A

Taxable Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2005 Series C

Single Family Mortgage Revenue Refunding Bonds, 2013 Series A (Taxable)

4a

BOARD ACTION REQUEST
ASSET MANAGEMENT DIVISION
APRIL 10, 2014

Presentation, Discussion, and Possible Action to approve a Housing Tax Credit Amendment for Trails at Carmel Creek in Hutto (#13201)

RECOMMENDED ACTION

WHEREAS, Trails at Carmel Creek received an award of 9% Housing Tax Credits in 2013 to construct 61 multifamily units in Hutto;

WHEREAS, the Development Owner requests approval to change a commitment on one 30% AMI/HOME unit which was offered as part of a response to an administrative deficiency and found in the underwriting process to be feasible;

WHEREAS, the change was incorporated into the final award determination presented to the Board;

WHEREAS, Board approval is required for any change that would materially alter a Development and for amendments that involve a reduction in the number of low-income units at any rent or income level, and the Owner has complied with the amendment requirements in Texas Government Code §2306.6712 and 10 TAC §10.405(a); and,

WHEREAS, although there is no 30% income level required under the HOME program it was offered and underwritten and incorporated in the award;

NOW, therefore, it is hereby

RESOLVED, that the application amendment for the Trails at Carmel Creek is denied as presented to this meeting.

BACKGROUND

Trails at Carmel Creek was approved during the 2013 competitive cycle to construct 61 new multifamily units in Hutto, Texas. On January 22, 2014, the Development Owner requested approval to change the rent restriction applicable to one unit from the 30% of AMI restriction to

the 50% of AMI restriction, as represented in the original application prior to a change to the 30% AMI restriction submitted in response to an administrative deficiency. The Owner stated that the unit's existing 30% restriction was a mistake that was made in response to an administrative deficiency review. The deficiency noted that the application rent schedule did not contain enough HOME units. The deficiency could have been cured by designating one of the existing 50% AMI tax credit units as a HOME unit which would not have had any financial impact to the originally submitted income restriction listed in the rent schedule. However, the deficiency was addressed by the applicant by converting a 50% HTC unit to a 30% HTC/HOME unit and underwriting confirmed the viability of this change.

During the review of this amendment request, the owner also submitted revised financing information. The first lien lender and syndicator changed from JP Morgan Chase and Red Stone Equity Partners to Capital One and RBC, respectively. The construction and permanent loans in the amounts of \$5.2M and \$2.5M, respectively, subject to Capital One's underwriting, will now be at a fixed interest rate of 5.95%. The construction and permanent loans from JP Morgan Chase were in the amounts of \$5.4M and \$2.4M at 4.00% and 6.25%, respectively. This resulted in an increase of \$120,400 to the construction loan interest in the development budget. The credit pricing increased from \$0.90 to \$0.95 per credit dollar, which increased syndication proceeds by \$249,975. Deferred developer fee decreased from \$394,490 to \$164,915. While these changes are relevant to note for the record they have not been formally evaluated as they appear to improve the financial structure of the development. These changes will be formally evaluated at cost certification to ensure that they do not result in an excessive subsidy under our underwriting requirements at that time.

Pursuant to 10 TAC §10.405(a)(7)(A), amendments that involve a reduction in the number of Low-Income Units at any rent or income level, as approved by the Board, must contain evidence that the adjustment is necessary for continued feasibility of the Development. Staff evaluated the amendment request and has not identified that this change is necessary to the financial feasibility of the transaction.



January 22, 2014

VIA Email (bsheppard@tdhca.state.tx.us)

Mr. Ben Sheppard
Multifamily Finance Division
TDHCA
221 E. 11th Street
Austin, TX 78701

Re: Request for Amendment for Trails at Carmel Creek (TDHCA# 13201)
Hutto, Williamson County

Dear Mr. Sheppard:

Please accept this letter as a formal Amendment request for the above named housing tax credit application. Upon review of the underwriting report dated July 24, 2013, and the Compliance Tracking Sheet dated September 19, 2013 we became aware of an inconsistency in the number of units set aside for tenants at 30% of Area Median Income (AMI).

Specifically, the underwriting report identified and assumed five (5) units would be set-aside for tenants at 30% AMI. The Compliance Tracking Sheet, an attachment to the Commitment Notice, only identified four (4) units set-aside for tenants at 30% AMI. Upon discovery of this inconsistency, we went back and reviewed the application, and deficiency submissions to identify the correct number of units at 30% AMI.

The application was submitted to the department with four (4) units at 30% AMI, ten (10) units at 50% AMI, thirty-six (36) units at 60% AMI, and eleven (11) Market Rate units, for a total of sixty-one (61) units. The Trails at Carmel Creek also applied for TDHCA HOME funds and identified eight (8) units to be layered with the HTC units, all of which were Low Home/50% units. Please see the attached rent schedule dated March 1, 2013.

During the Department's initial staff review of the application, a deficiency was issued by Nicole Fisher on May 28, 2013 in which she identified the need for an additional HOME unit to satisfy the 221(d)(3) limits. We responded to the deficiency on May 29, 2013 with a revised rent schedule that increased the number of HOME units from eight (8) to nine (9). The increase in HOME units was accomplished by decreasing the number of one bedroom units not layered with HOME by one (1), and adding that unit to another one bedroom unit type layered with HOME.

During this deficiency response, we correctly added a HOME unit to satisfy the 221(d)(3) limit, but inadvertently decreased the number of HTC units at 50% AMI from ten (10) to nine (9), and increased the number of HTC units at 30% AMI from four (4) to five (5). Please see the attached rent schedule dated May 29, 2013.

We respectfully request that the original HTC unit mix proposed be underwritten and recorded in the HTC LURA. The correct unit mix should be four (4) units at 30% AMI, ten (10) units at 50%

AMI, thirty-six (36) units at 60% AMI, and eleven (11) Market Rate units. We have attached a corrected rent schedule reflecting this unit mix. We recognize our oversight in the original deficiency response dated May 29, 2013 but also contend that §10.201(7)(A) prohibits applicants from revising “the Unit mix (both income levels and Bedroom mixes), or adjust their self-score except in response to a direct request from the Department to do so as a result of an Administrative Deficiency.” An administrative deficiency was never issued requesting a change in HTC income levels, and therefore should not have been implemented by staff without further clarification.

We have attached a letter from both the lender and investor confirming the Development will be infeasible without this adjustment. Finally, we ask that the \$2,500 amendment fee be waived and reimbursed. It appears obvious that the change in income levels was an administrative mistake easily overlooked by DMA and TDHCA staff. We regret that a mistake so minor has monopolized staff’s time, and request that this amendment be approved.

If you have any questions or require additional information, please do not hesitate to contact me at (512) 328-3232 x 4514 or valentind@dmacompanies.com.

Sincerely,

Diana McIver & Associates Inc.



Valentin DeLeon
Development Coordinator

Enclosures

cc:

MARCH 1, 2013 - ORIGINAL APPLICATION SUBMISSION

Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%	8%	7%	4
	TC40%			0
	TC50%	20%	16%	10
	TC60%	72%	59%	36
	HTC LI Total			50
	EO			0
	MR			11
	MR Total			11
	Total Units			61
	MORTGAGE REVENUE BOND	MRB30%		
MRB40%				0
MRB50%				0
MRB60%				0
MRB LI Total				0
MRBMR				0
MRBMR Total				0
MRB Total				0

		% of LI	% of Total	
HOUSING TRUST FUND	HTF30%			0
	HTF40%			0
	HTF50%			0
	HTF60%			0
	HTF80%			0
	HTF LI Total			0
	MR			0
	MR Total			0
	HTF Total			0
	HOME	30%		
LH/50%		100%	100%	13
HH/60%				0
HH/80%				0
HOME LI Total				13
EO				0
MR				0
MR Total				0
HOME Total			0	
OTHER	Total OT Units			0

BEDROOMS	0			0
	1			48
	2			13
	3			0
	4			0
	5			0

Cost Per Square Foot Table	Development is Rehabilitation			No	Cost Per Sq. Ft. =	N/A
	If No above Development is elevator served, supportive housing, or SF/Elderly					
(Building Costs)	If not "Rehabilitation," select "Yes" if the Development is one of the following:					
	Elevator served	Supportive Housing	Elderly or Single Family			
	Yes	No	No			
\$ 3,473,857	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =			
	\$ 58.53	N/A	N/A			
			Cost Per Sq. Ft. = N/A			

← If "Yes" above, these elections do not apply. See manual for instructions.

|

Deficiency Notice 5/28/13

Audrey Martin

From: Nicole Fisher <nicole.fisher@tdhca.state.tx.us>
Sent: Tuesday, May 28, 2013 3:56 PM
To: Janine Sisak; Teresa Bowyer
Cc: Nicole Fisher
Subject: HTC/HOME Application Deficiency Notice - TDHCA# 13201 Development Name: The Trails at Carmel Creek

In the course of the Department's Housing Tax Credit **Eligibility/Selection/Threshold** and/or HOME **NOFA** review(s) of the above referenced application, a possible Administrative Deficiency as defined in 10 TAC §10.201(7)(A), has been identified. By this notice, the Department is requesting documentation to correct the following deficiency or deficiencies. Issues initially identified as an Administrative Deficiency may ultimately be determined to be beyond the scope of an Administrative Deficiency, and the distinction between material and non-material missing information are reserved for the Director of Multifamily Finance, Executive Director, and Board.

1. Tab 30. Matching Funds – the HOME request (Inclusive of Match) exceeds the 221(d)(3) limit. At the current HOME Request plus Match you would need to increase your HOME units to comply. Make appropriate corrections.
2. Tab 35. List of Organizations and Principals – JSA Community Ventures, LLC is not listed under the DMA Trails at Carmel Creek , LLC.

Any applicant requesting points for Commitment of Development Funding by Unit of General Local Government must provide a firm commitment of funds as a condition of the Commitment Notice, and all commitments of funds *must* include a statement from the provider that the funds were not first received by the applicant or related party. [§11.9(d)(3)]

All deficiencies related to the Competitive 9% HTC portion of the Application must be corrected or clarified by 5:00 p.m. CST on the fifth business day following the date of this deficiency notice. Deficiencies resolved after 5 p.m. on the fifth business day will have 5 points deducted from the final score. For each additional day beyond the fifth day, that any deficiencies remain unresolved, the application will be treated in accordance with §10.201(7)(A) of the Uniform Multifamily Rules.

All deficiencies related to the HOME portion of the Application must be corrected or clarified by 5:00 p.m. CST on the fifth business day following the date of this deficiency notice. Deficiencies resolved after 5 p.m. on the fifth business day will be subject to a \$500 fee for each business day that the deficiency remains unresolved. Applications with unresolved deficiencies after 5 PM on the tenth day will be treated in accordance with §10.201(7)(B) of the 2013 Uniform Multifamily Rules.

All documentation should be submitted as a whole using the Department's Serv-U HTTPs System. Once the documents are submitted to the Serv-U HTTPs system, please email the staff member issuing this notice. If you have questions regarding the Serv-U HTTPs submission process, contact Jason Burr at jason.burr@tdhca.state.tx.us or by phone at (512)475-3986. You may also contact Nicole Fisher at nicole.fisher@tdhca.state.tx.us or by phone at (512)475-2201.

All applicants should review §§11.1(b) & (c), and 10.2(b) of the 2013 QAP and Uniform Multifamily Rules as they apply to due diligence, applicant responsibility, and the competitive nature of the program for

Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%	10%	8%	5
	TC40%			0
	TC50%	18%	15%	9
	TC60%	72%	59%	36
	HTC LI Total			50
	EO			0
	MR			11
	MR Total			11
	Total Units			61
	MORTGAGE REVENUE BOND	MRB30%		
MRB40%				0
MRB50%				0
MRB60%				0
MRB LI Total				0
MRBMR				0
MRBMR Total				0
MRB Total				0

		% of LI	% of Total	
HOUSING TRUST FUND	HTF30%			0
	HTF40%			0
	HTF50%			0
	HTF60%			0
	HTF80%			0
	HTF LI Total			0
	MR			0
	MR Total			0
	HTF Total			0
	HOME	30%		
LH/50%		100%	100%	13
HH/60%				0
HH/80%				0
HOME LI Total				13
EO				0
MR				0
MR Total			0	
HOME Total			0	
OTHER	Total OT Units			0

BEDROOMS	0			0
	1			48
	2			13
	3			0
	4			0
	5			0

Cost Per Square Foot Table	Development is Rehabilitation			No	Cost Per Sq. Ft. =	N/A
	If No above Development is elevator served, supportive housing, or SF/Elderly					
(Building Costs)	If not "Rehabilitation," select "Yes" if the Development is one of the following:					
	Elevator served	Supportive Housing	Elderly or Single Family			
	Yes	No	No			
\$ 3,473,857	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =			
	\$ 58.53	N/A	N/A			
			Cost Per Sq. Ft. = N/A			

← If "Yes" above, these elections do not apply. See manual for instructions.

|

From: David Burrell [mailto:david.burrell@tdhca.state.tx.us]
Sent: Monday, June 24, 2013 11:57 AM
To: Janine Sisak; Audrey Martin
Cc: Wayne Gerami
Subject: Underwriting RFI - TDHCA# 13201 Development Name: Trails at Carmel Creek

Audrey,

Thank you for visiting with me on the phone about the application since Janine is out today. This email contains a formal notice (technically defined as an Administrative Deficiency according to the rules) of the items we discussed and the back-up documentation you will be providing. As always, any additional explanatory information is appreciated. If you have questions for me, don't hesitate to email or call.

In the course of the Department's **underwriting** review of the above referenced application, an Administrative Deficiency as defined in 10 TAC §10.3(a)(2), has been identified. By this notice, the Department is requesting documentation to correct the following deficiency or deficiencies. Issues initially identified as an Administrative Deficiency may ultimately be determined to be beyond the scope of an Administrative Deficiency, and the distinction between material and non-material missing information are reserved for the Director of Multifamily Finance, Executive Director, and Board.

As of this date, your Application has not been formally transferred to the Real Estate Analysis Division for underwriting. Your Application is still under review by the Multifamily Finance Division and may or may not be formally transferred. A request for information from the REA Division does not ensure or represent acceptance of the Application by the Multifamily Finance Division or satisfy outstanding requests for information or Administrative Deficiencies issued by the Multifamily Finance Division, if any. A request for information from the REA Division in no way changes or affects Administrative Deficiency response deadlines issued by the Multifamily Finance Division.

1. **Tab 21, Rent Schedule:** Your market rate rents are higher than the market rents stated in the Market Study provided for the development with your HTC application. Please provide documentation and comps to support your projected market rate rents.
2. **Tab 22, Utility Allowance:** Please provide documentation that you proposed utility allowances have been approved by the appropriate authority.
3. **Tab 23, Annual Operating Expenses:** Provide a staffing table to support your proposed payroll and payroll tax expense of \$53,100 for the development.
4. **Tab. 27, Development Cost Schedule:** Provide the total amount of the cost of the detention pond.

Due to the volume of applications currently being evaluated we would appreciate a response to each of the above items within 3 days. If your response is not received within this timeframe, the REA Division will begin underwriting other priority applications.

All deficiencies must be corrected or clarified by 5:00 p.m. CST on the fifth business day following the date of this deficiency notice. Deficiencies resolved after 5 p.m. on the fifth business day will have 5 points deducted from the final score. For each additional day beyond the fifth day, that any deficiencies remain unresolved, the application will be treated in accordance with §10.201(7)(A) of the Uniform Multifamily Rules.

All documentation should be submitted as a whole using the Department's Serv-U HTTPs System. Once the documents are submitted to the Serv-U HTTPs system, please email the staff member issuing this notice. If you have questions regarding the Serv-U HTTPs submission process, contact Jason Burr at jason.burr@tdhca.state.tx.us or by phone at (512)475-3986. You may also contact Nicole Fisher at nicole.fisher@tdhca.state.tx.us or by phone at

Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%	10%	8%	5
	TC40%			0
	TC50%	18%	15%	9
	TC60%	72%	59%	36
	HTC LI Total			50
	EO			0
	MR			11
	MR Total			11
	Total Units			61
	MORTGAGE REVENUE BOND	MRB30%		
MRB40%				0
MRB50%				0
MRB60%				0
MRB LI Total				0
MRBMR				0
MRBMR Total				0
MRB Total				0

		% of LI	% of Total	
HOUSING TRUST FUND	HTF30%			0
	HTF40%			0
	HTF50%			0
	HTF60%			0
	HTF80%			0
	HTF LI Total			0
	MR			0
	MR Total			0
	HTF Total			0
	HOME	30%		
LH/50%		100%	100%	13
HH/60%				0
HH/80%				0
HOME LI Total				13
EO				0
MR				0
MR Total				0
HOME Total			0	
OTHER	Total OT Units			0

BEDROOMS				
	0			0
	1			48
	2			13
	3			0
	4			0
	5			0

Cost Per Square Foot Table	Development is Rehabilitation			No	Cost Per Sq. Ft. =	N/A
	If No above Development is elevator served, supportive housing, or SF/Elderly					
(Building Costs)	If not "Rehabilitation," select "Yes" if the Development is one of the following:					
	Elevator served	Supportive Housing	Elderly or Single Family			
	Yes	No	No			
\$ 3,473,857	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =			
	\$ 58.53	N/A	N/A			
			Cost Per Sq. Ft. = N/A			


← If "Yes" above, these elections do not apply. See manual for instructions.

Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%	8%	7%	4
	TC40%			0
	TC50%	20%	16%	10
	TC60%	72%	59%	36
	HTC LI Total			50
	EO			0
	MR			11
	MR Total			11
	Total Units			61
	MORTGAGE REVENUE BOND	MRB30%		
MRB40%				0
MRB50%				0
MRB60%				0
MRB LI Total				0
MRBMR				0
MRBMR Total				0
MRB Total				0

		% of LI	% of Total	
HOUSING TRUST FUND	HTF30%			0
	HTF40%			0
	HTF50%			0
	HTF60%			0
	HTF80%			0
	HTF LI Total			0
	MR			0
	MR Total			0
	HTF Total			0
	HOME	30%		
LH/50%		100%	100%	12
HH/60%				0
HH/80%				0
HOME LI Total				12
EO				0
MR				0
MR Total				0
HOME Total			0	
OTHER	Total OT Units			0

BEDROOMS	0			0
	1			48
	2			13
	3			0
	4			0
	5			0

Cost Per Square Foot Table	Development is Rehabilitation			No	Cost Per Sq. Ft. =	N/A
	If No above Development is elevator served, supportive housing, or SF/Elderly			Yes		
(Building Costs)	If not "Rehabilitation," select "Yes" if the Development is one of the following:					
	Elevator served	Supportive Housing	Elderly or Single Family			
	Yes	No	No	 If "Yes" above, these elections do not apply. See manual for instructions.		
\$ 3,473,857	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =			
	\$ 58.53	N/A	N/A			
					Cost Per Sq. Ft. =	N/A

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Rent Schedule (Continued)

		% of LI	% of Total	
HOUSING TAX CREDITS	TC30%	8%	7%	4
	TC40%			0
	TC50%	20%	16%	10
	TC60%	72%	59%	36
	HTC LI Total			50
	EO			0
	MR			11
	MR Total			11
	Total Units			61
	MORTGAGE REVENUE BOND	MRB30%		
MRB40%				0
MRB50%				0
MRB60%				0
MRB LI Total				0
MRBMR				0
MRBMR Total				0
MRB Total				0

		% of LI	% of Total	
HOUSING TRUST FUND	HTF30%			0
	HTF40%			0
	HTF50%			0
	HTF60%			0
	HTF80%			0
	HTF LI Total			0
	MR			0
	MR Total			0
	HTF Total			0
	HOME	30%		
LH/50%		100%	100%	13
HH/60%				0
HH/80%				0
HOME LI Total				13
EO				0
MR				0
MR Total				0
HOME Total			0	
OTHER	Total OT Units			0

BEDROOMS	0			0
	1			48
	2			13
	3			0
	4			0
	5			0

Cost Per Square Foot Table	Development is Rehabilitation			No	Cost Per Sq. Ft. =	N/A
	If No above Development is elevator served, supportive housing, or SF/Elderly					
(Building Costs)	If not "Rehabilitation," select "Yes" if the Development is one of the following:					
	Elevator served	Supportive Housing	Elderly or Single Family			
	Yes	No	No	← If "Yes" above, these elections do not apply. See manual for instructions.		
\$ 3,473,857	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =	Cost Per Sq. Ft. =			
	\$ 58.53	N/A	N/A			
					Cost Per Sq. Ft. =	N/A



Capital One N.A.
5718 Westheimer Road, 10th Floor
Houston, TX 77057

713.435.5328
713.435.5683 Fax

January 6, 2014

Mr. Ben Sheppard
Multifamily Finance Division
TDHCA
221 E. 11th Street
Austin, TX 78701

RE: Request for Amendment for Trails at Carmel Creek (TDHCA# 13201)
Hutto, Williamson County

Dear Mr. Sheppard:

It has come to our attention that the General Partner for this development is requesting an amendment because there was an administrative error made during the application process that resulted in a more restrictive income targeting than the TDHCA required income targeting—specifically, only 4 units restricted to 30% AMI were required for points, but through an error made in the administrative deficiency response, this number was increased to 5.

Based on our underwriting (which assumed only 4 units at 30% AMI), we strongly support this amendment request. To add another 30% unit to this small rural transaction would cause a strain on the underwriting, since 30% rents are not sufficient to cover that unit's own operating expenses. We are currently underwriting this transaction to a high debt service coverage ratio, typical for a small, rural market with a limited number of units in a rising interest rate environment. Therefore, adding a 30% unit above and beyond what was required for points will jeopardize the feasibility of this transaction.

Please call me at 713-435-5324 if I can answer any questions. We appreciate your consideration regarding this request.

Sincerely,

John R. Yochum
Senior Director
Community Development Finance



RBC Capital Markets®

Royal Bank of Canada
Tax Credit Equity Group
Cleveland, Ohio, 44102
Telephone: (216) 875-2626
Fax: (216) 875-2612

January 6, 2014

Mr. Ben Sheppard
Multifamily Finance Division
TDHCA
221 E. 11th Street
Austin, TX 78701

Re: Request for Amendment for Trails at Carmel Creek (TDHCA# 13201)
Hutto, Williamson County

Dear Mr. Sheppard:

The General Partner for the Trails at Carmel Creek development is requesting an amendment due to an administrative error made during the application process. The error would result in a more restrictive income targeting than what TDHCA required. Only four units restricted to 30% AMI were required for points, yet through an error made in responding to the administrative deficiency notice, the number was increased to five. Based on our underwriting (which assumes only 4 units at 30% AMI), we strongly support this amendment request. To add another 30% unit to this small rural transaction would cause a strain on the underwriting and long term success of the property. 30% AMI rents are not sufficient to cover their own operating expenses. We are currently underwriting this transaction to a high 1.15 debt service coverage ratio, which is typical for a small, rural market with a limited number of units. In a rising interest rate environment, adding another 30% unit beyond what was required for points will jeopardize the feasibility of this transaction. We strongly support the amendment and ask that you approve the request. Please call me with any questions you may have at (216) 875-6043. Thank you in advance for your consideration.

Very truly yours,

A handwritten signature in black ink, appearing to read 'DK' followed by a stylized flourish.

Daniel J. Kierce
Director

5a

BOARD ACTION REQUEST
COMPLIANCE DIVISION
APRIL 10, 2014

Presentation and Discussion of a preliminary draft Enforcement Rule

BACKGROUND

As a result of actions taken by the 83rd Texas Legislature, the Department's debarment authority was expanded to give authority to debar persons not only from the housing tax credit program but from participation in any program administered by the Department. Staff has been working on a rule to incorporate and implement this new authority and in doing so recognized the benefit of having all possible sanctions addressed in one Chapter of the Texas Administrative Code. Therefore, staff drafted a proposed new Chapter 2, Enforcement, with four subchapters, Subchapter A, General; Subchapter B, Enforcement Regarding Community Affairs Contract Administrators, (currently in Chapter 5), Subchapter C, Administrative Penalties and Subchapter D, Debarment from Participation in Programs Administered by the Department.

The preliminary draft of the proposed rule was posted to the TDHCA website on February 24, 2014. At that time an online discussion forum was opened. On March 3, 2014, staff hosted a conference call regarding the draft rule and the Department hosted roundtables March 18-20, 2014, to solicit feedback.

The purpose of this agenda item is to share the feedback received with the Board, to seek additional public engagement and input, and, considering that input, to obtain guidance from the Board as to the direction staff should take with this rule.

The Department has had the authority to impose administrative penalties since 2007 and has had an active process to consider administrative penalties for noncompliance with requirements of a Land Use Restriction Agreement under our multifamily programs since 2008. The initiation of the administrative penalty process has been an extremely effective tool in obtaining compliance.

In 2012, the Department's rule regarding administrative penalties was moved from Chapter 60 to Chapter 1 to provide the Board the ability to assess an administrative penalty for *any* violation of Chapter 2306 or a rule or order adopted under Chapter 2306, to fully implement the statutory language (see item 1(d) of the April 12, 2012, Board book). To date, although there has been the authority, implemented by an existing rule, providing the Department the ability to assess an administrative penalty, there has been no written guidance or rule regarding the amounts associated with noncompliance in single family and community affairs programs. This draft rule presents suggested amounts for various compliance violations. By far, the most keenly debated aspect of the draft rule is the concept of imposing administrative penalties for noncompliance with Community Affairs programs.

Feedback from the roundtables and online discussion forum include the following:

- The major, overriding concern of the Community Affairs network is that programs are administered by nonprofit, city, county and local units of government. Federal funds cannot be used to pay penalties. Lack of non-governmental revenue streams will prevent these organizations from being able to pay penalties;
- Commenters cited inadequate availability of training and technical assistance opportunities as contributing to monitoring findings;
- Commenters stated that if one were to consider repayment, from non-federal funds, of disallowed costs as a type of penalty, then the additional assessment of an administrative penalty could be considered as a double penalty or “double dipping;”
- Commenters expressed concern over the possibility of penalties being assessed in areas where requirements are unclear or inconsistent;
- Commenters expressed concern that the Department’s Compliance Staff and members of the Enforcement Committee may lack a complete understanding of Community Affairs Programs as they are not involved in the program area;
- Concern was expressed about consistency of treatment of individuals with regard to the criteria for initiating debarment in one factual circumstance versus another;
- Commenters expressed questions regarding the timing of the occurrence or identification of an event of noncompliance and the adoption of the rule;
- Portions of the process described by staff on the conference call and at the roundtables is not reflected in the text of the proposed rule;
- Commenters suggested that TDHCA should provide owners an opportunity to return property to the Department to avoid potential administrative penalties;
- Commenters felt that the program should pay for legal fees for subrecipients to hire an attorney to come to informal conferences;
- Commenters felt the process is being rushed and subrecipients do not have time to meet with their Boards to discuss these issues (thus this proposal is provided to the Board solely as a discussion draft);
- Commenters believed if multiple violations occur from one root cause, only one penalty amount should be considered;
- The comment was made that consultants and vendors should not be considered for debarment if they were acting on the direction of their client;
- Commenters were concerned that the violations in the chart should be more specific; and
- Commenters requested that staff review the three charts to ensure that similar violations in multifamily, single family and community affairs programs are considered for the same penalty amounts.

Staff recognizes that there can always be improvement in any process, including the monitoring process and that is why staff continually works to improve training, monitoring, and corrective action processes as well as refining the rules for greater consistency and clarity. Nonetheless, staff recommends that the assessment of an administrative penalty as a sanction for noncompliance with Community Affairs programs continue to be among the tools available to address noncompliance and to deter future noncompliance. This would provide consistency across the board for all programs administered by the Department. Staff does understand and appreciate the fact that this process is new to the network of Community Affairs subrecipients that unfamiliarity can create concern and anxiety. The Department’s

rules provide opportunities to address those types of issues, including options for review and an opportunity to meet with the Department's Compliance Committee. To date, the Department's Enforcement Committee has diligently worked to employ various methods to achieve compliance, utilizing the rare assessment of an administrative penalty only as a last resort. It is noteworthy that often the initiation of the process yields an agreed understanding, charting a course for addressing the compliance issues and preventing recurrences without actually necessitating the collection of penalty amounts. It should be noted that there are other possible approaches. For example, staff could present a rule that considers one or more of the following:

- A delay in the implementation of an administrative penalty process as it applies to community action agencies in order to provide additional training and guidance;
- A commitment to a reassessment after a reasonable period of how the rule is working, especially with respect to community action agencies;
- Different criteria for community action agencies, such as pursuing the assessing of administrative penalties only for repeated noncompliance in community affairs programs.

Ultimately, all of the Department's rules are a reflection of this Board's policy. Given the level of concern expressed by the community affairs network, staff is requesting feedback and guidance from the Board before proceeding any further.

Attached to this write up is most recent version of the draft rule. It is shown in black line to reflect changes that have been made since the original posting of the rule. In addition, the exact comments received through the online forum are attached.

Subchapter A General

§2.101. Policy and Purpose.

(a) In accordance with authority conferred on the Department by Texas Government Code, Chapter 2105 and 2306 and under applicable provisions of federal law establishing and governing federally funded programs the Department has a range of measures it is able to take to address identified instances of noncompliance. In some instances these measures may also require compliance with or adherence to additional federal or state requirements.

(b) It is the overarching intent and guiding principle of these rules that full compliance is required, and the enforcement mechanisms provided for herein are intended to be used in a manner which:

(1) Promotes full compliance;

(2) Uses compliance assistance methods and, where needed, enforcement mechanisms, to obtain compliance and to deter noncompliance;

(3) Takes appropriate enforcement action against those who fail to take the necessary and appropriate measures to comply; and

(4) Provides for the exclusion or removal from Department programs, of persons who have demonstrated that they are either unable or unwilling to comply.

(c) Any person or entity that enters into a commitment or contract with the Department directly -or with a subrecipient of ~~the~~ Department financial assistance, setting forth the terms and conditions under which housing tax credits, loans, grants, or any other source of funds or financial assistance from the Department will be made available (collectively the “Program Agreements”) is required to comply with all provisions of their respective Program Agreements. Requirements in Program Agreements include requirements to comply with applicable federal or state laws. The failure to comply with any provision of a Program Agreement is, in addition to a breach of such Program Agreement, a violation of this rule.

(d) This rule sets forth the mechanisms that the Department may use to bring about compliant administration of Department funded programs, state or federal, and to ensure that persons who have established, through egregious and/or repetitive noncompliance behavior that they are either unwilling to behave in a compliance manner or are unable to do so.

(e) Refer to 10 TAC Chapter 10, subchapter F, related to Compliance Monitoring and/or 10 TAC, Chapter 5, Subchapter L, related to Compliance Monitoring for detailed information about the monitoring process and remedies available to Persons who disagree with the Department's assessment of their compliance status.

§2.102. *Definitions.*

The words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(a) Consultant--One who provides services or advice for a fee and not as an employee.

(b) Enforcement Committee (Committee)--A committee of employees of the Department appointed by the Executive Director. The members of that Committee shall be no fewer than five (5) and no more than nine (9). The Executive Director may designate certain members as ex officio and non-voting. Legal Services and Compliance will each designate a person to attend meetings and advise the Committee, but not be members of the Committee. The Legal Services designee will also serve as Secretary to the Committee. Voting Committee members may designate a substitute who shall be permitted to attend and vote in their absence.

(c) Legal Requirements—all requirements of state, federal, or local statute, rule, regulations, ordinance, order, court order, official interpretation, policy issuance, or any similar memorialization of requirement including requirement of a purely contractual nature, no matter how designated, applicable to a matter.

(d) Program Agreements include:

(1) agreements between the Department and a person setting forth Legal Requirements and

(2) agreements between a person subject to a Program Agreement and a third party to carry out one or more of those Legal Requirements as the agent, consultant, partner, contractor, subcontractor, or otherwise for a person described in Subsection 1, above.

~~(ee) Responsible Party--A person or persons, whether a natural person or otherwise, such as a corporation, partnership, limited partnership, or trust, or their successors in interest or assigns, that are subject to Chapter 2306 of the Texas Government Code, or a rule or order adopted under Chapter 2306 of the Texas Government Code, including but not limited to persons that have received or will receive funds or other financial assistance administered or awarded by the Department and/or are legally responsible for the administration of such assistance in accordance with the terms of the rules or a written agreement with the Department and each person capable of controlling or directing the policies and activities of such a person or persons.~~
any Person subject to a Program Agreement.

~~(df) Vendor--A person who is procured by a subrecipient to provide goods or services in any way relating to a Department program or activity.~~

§2.103. *General.*

(a) A Responsible Party must comply with all applicable state and federal legal, regulatory requirements, Board Orders, and other applicable requirements, including but not limited to OMB and state circulars and standards, and with all provisions of applicable contractual agreements or other binding covenants including, but not limited to award agreements, loan or grant agreements, land use restrictions agreements, provisions of security agreements, deeds of trust, and representations made by an applicant to secure a housing tax credit allocation.

(b) A failure by the Department to identify, address, or take action with respect to any one or more instances of noncompliance does not constitute a waiver, ratification, or approval of, consent to, or agreement with such noncompliance. It is the responsibility of a Responsible Party person or entity administering a Department program to be familiar with the applicable requirements.

(c) Record keeping. The Compliance Division will keep records in accordance with the Department's record retention schedule and any other state or Federal requirements of all instances of identified noncompliance, whether the noncompliance was correctable or not, and, if correctable, whether the noncompliance was corrected within the time afforded for corrective action.

(d) As provided for in Texas Government Code, §2306.6719, parties subject to certain compliance requirements must be afforded notice and a reasonable period to correct identified instances of noncompliance that are susceptible to being corrected. It is the responsibility of each division to provide any required cure, corrective action, or notice period(s) prior to referral of any matter to the Enforcement Committee under this chapter. Matters should not be referred to the Committee until such cure, corrective action, or notice periods have been completed or expired.

§2.104. Enforcement Mechanisms.

(a) The enforcement mechanisms referenced in this chapter are not the exclusive mechanisms whereby compliance may be obtained in any particular circumstance. In addition to Department action, enforcement mechanisms related to Department programs may include, where applicable, those required or employed by other entities or agencies. With regard to the low income housing tax credit program, if an identified instance of noncompliance is required by the Internal Revenue Service ("IRS") to be reported to the IRS, it will be reported to the IRS by the Compliance Division on Form 8823.

(b) Enforcement mechanisms available to the Department include but are not limited to:

- (1) Enforcement of contractual provisions, including but not limited to, rights of suspension or termination and placement on a cost reimbursement status, as described in Subchapter B of this Chapter, relating to Enforcement Regarding Community Affairs Contract Administrators;
- (2) Assessment of Administrative Penalties, as described in Subchapter C of this Chapter, relating to Administrative Penalties; or,
- (3) Debarment, as described in Subchapter D of this Chapter, relating to Debarment.

Subchapter B Enforcement Regarding Community Affairs Contract Administrators

§2.201 Full or partial cost reimbursement.

- (a) Full cost reimbursement requires that the Department, acting through or under oversight of the Compliance Division, review any item and supporting documentation and backup before approving it for payment.
- (b) Partial cost reimbursement enables the Department, acting through or under oversight of the Compliance Division, to establish a tailored protocol to review only a portion of requests for reimbursement and, based on that review, to allow for advances subject to reasonable and appropriate limitations.
- (c) The Compliance Division ~~will~~may place on full or partial cost reimbursement any entity administering a Department program allowing for funds to be advanced prior to documentation of expenditure where there has been identified a significant pattern of compliance violations indicating a material failure to adopt and adhere to policies and procedures to ensure complaint activity.
- (d) An entity placed on full or partial cost reimbursement must, unless extended as provided for herein, within ninety (90) days, either be restored to advance status or may have proceedings for termination of their contract and/or eligible entity status and/or debarment commenced. Restoration to advance status will require the entity to develop a comprehensive plan to address its issues. The plan must be reviewed by the Compliance Division and found acceptable. Extensions of up to an additional ninety (90) days may be approved by the Executive Director for good cause including but not limited to additional time to comply with procurement requirements or additional time for the Department to review submittals.

§2.202 Sanctions and Contract Closeout.

- (a) Subrecipients that enter into a contract with the Department to administer programs are required to follow all Legal Requirements ~~state and federal laws and regulations and rules~~ governing these programs.
- (b) If a Subrecipient fails to comply with program and contract requirements, rules, or regulations and in the event monitoring or other reliable sources reveal material deficiencies in performance, or if the Subrecipient fails to correct any deficiency within the time allowed by federal or state law, the Department ~~will~~may apply one or more of the sanctions described in paragraphs (1) - (5) of this subsection:
 - (1) Deny the Subrecipient's requests for advances and place it on a Modified Cost Reimbursement method of payment until proof of compliance with the rules and regulations are received by the Department;
 - (A) Subrecipients placed on a Modified Cost Reimbursement method of payment must comply with the reporting requirements outlined in §5.211 of this title (relating to Subrecipient Reporting

Requirements); §5.311 of this title (relating to Reports); §5.406 of this title (relating to Subrecipient Reporting Requirements); §5.506 of this title (relating to Subrecipient Reporting Requirements); §5.1006 of this title (relating to Performance and Expenditure Benchmarks); and §5.2007 of this title (relating to Reporting), as applicable;

(B) Subrecipients on a Modified Cost Reimbursement method must provide all supporting documentation to the Department no later than seven (7) days after the reporting due date;

(C) If Subrecipient has not submitted documentation required for cost reimbursement review in accordance with reporting deadlines, Subrecipient shall ~~will~~may be required to enter a monthly report containing zero amounts and submit documentation required for the review as part of the next's month reporting;

(D) Subrecipients reporting a monthly report containing zero amounts throughout the program year shall submit all required support documentation to the Department for review by the last regular monthly report (before the final report); and/or

(E) The Department will review and assess supporting documentation submitted by Subrecipient no later than the seventh (7th) day of the following month.

(2) Withhold all payments from the Subrecipient (both reimbursements and advances) until ~~proof~~acceptable confirmation of compliance with the rules and regulations are received by the Department, reduce the allocation of funds (with the exception of Community Services Block Grant (“CSBG”)) ~~funds~~ to Eligible Entities as described in §5.206 of this chapter (relating to Termination and Reduction of Funding) and as limited for LIHEAP funds as outlined in Texas Government Code, Chapter 2105 or impose sanctions as deemed appropriate by the Department's Executive Director, at any time, if the Department identifies possible instances of fraud, waste, abuse, fiscal mismanagement, or other serious deficiencies in the Subrecipient's performance;

(3) Suspend performance of the contract or reduce funds until proof of compliance with the rules and regulations are received by the Department or a decision is made by the Department to initiate proceedings for contract termination;

(4) ~~If possible, Ee~~If possible, Eelect not to provide future grant funds to the Subrecipient until appropriate actions are taken to ensure compliance; or

(5) Terminate the contract. Adhering to the requirements governing each specific program administered by the Department, as needed, the Department may determine to proceed with the termination of a contract, in whole or in part, at any time the Department establishes there is good cause for termination. Such cause may include, but is not limited to, fraud, waste, abuse, fiscal mismanagement, or other serious deficiencies in the Subrecipient's performance. For CSBG contract termination procedures, please refer to §5.206 of this title.

(c) Contract Close-out. When the Department moves to terminate a contract, the procedures described in paragraphs (1) - (12) of this subsection will be implemented.

(1) The Department will issue a termination letter to the Subrecipient no less than thirty (30) days prior to terminating the contract. The Department may determine to take one of the following actions: suspend funds immediately; establish a Modified Cost Reimbursement plan for closeout proceedings, or provide instructions to the Subrecipient to prepare a proposed budget and written plan of action that supports the closeout of the contract. The plan must identify the name and current job titles of staff that will perform the close-out and an estimated dollar amount to be incurred.

(2) If the Department determines that a Modified Cost Reimbursement is an appropriate method of providing funds to accomplish closeout, the Subrecipient will submit backup documentation for all current expenditures associated with the closeout. The required documentation will include, but not be limited to, the chart of accounts, detailed general ledger, revenue and expenditure statements, time sheets, payment vouchers and/or receipts, and bank reconciliations.

(3) No later than thirty (30) days after the contract is terminated, the Subrecipient will take a physical inventory of client files, including case management files, and will submit to the Department an inventory of equipment with a unit acquisition cost of \$5,000 or greater or having a useful life of more than one year.

(4) The terminated Subrecipient will have thirty (30) days from the date of the physical inventory to copy all current client files. Client files must be boxed by county of origin. Current and active case management files also must be copied, inventoried, and boxed by county of origin.

(5) Within thirty (30) days following the Subrecipient's due date for copying and boxing client files, Department staff will retrieve copied client files.

(6) The terminated Subrecipient will prepare and submit no later than sixty (60) days from the date the contract is terminated, a final report containing a full accounting of all funds expended under the contract.

(7) A final monthly expenditure report and a final monthly performance report for all remaining expenditures incurred during the close-out period must be received by the Department no later than sixty (60) days from the date the Department determines that the closeout of the program and the period of transition are complete.

(8) The Subrecipient will submit to the Department no later than sixty (60) days after the termination of the contract, an inventory of the non-expendable personal property acquired in whole or in part with funds received under the contract.

(9) The Department may transfer title to equipment having a unit acquisition cost (the net invoice unit price of an item of equipment) of \$5,000 or greater or having a useful life of more than one year, to the Department or to any other entity receiving funds under the program in question. The

Department will make arrangements to remove equipment covered by this paragraph within ninety (90) days following termination of the contract.

(10) Upon selection of a new service provider, the Department will transfer to the new provider client files and, as appropriate, equipment.

(11) As required by any OMB circular or other circulars and standards as applicable to the contract~~OMB Circular A-133~~, as amended from time to time, a current year Single Audit must be performed for all agencies that have exceeded the federal expenditure threshold under OMB Circular A-133. The Department will allow a proportionate share of program funds to pay for accrued audit costs, when an audit is required, for a Single Audit that covers the date up to the closeout of the contract. The terminated Subrecipient must have a binding contract with a CPA firm on or before the termination date of the contract. The actual costs of the Single Audit and accrued audit costs including support documentation must be submitted to the Department no later than sixty (60) days from the date the Department determines the close-out is complete.

(12) Subrecipients shall submit within sixty (60) days after the date of the close-out process all financial, performance, and other applicable reports to the Department. The Department may approve extensions when requested by the Subrecipient. However, unless the Department authorizes an extension, the Subrecipient must abide by the sixty (60) day contractual requirement of submitting all referenced reports and documentation to the Department.

Subchapter C Administrative Penalties

§2.301 General

The Compliance Monitoring Division ~~will~~will recommend to the Enforcement Committee the initiation of proceedings to assess administrative penalties where the Responsible Party or Parties have violated Chapter 2306 or a rule or order adopted under Chapter 2306 and failed to take appropriate and timely corrective action. In addition, the Compliance Division may recommend to the Enforcement Committee the initiation of -proceedings to assess administrative penalties where the Responsible Party or Parties has an established pattern of repeated substantive and material violations even if corrected within the applicable corrective action periods. Some examples of matters that may be referred to the Committee include but are not limited to:

~~(1) failure to respond timely to monitoring reports;~~

~~(2) failure to correct cited instances of noncompliance within the corrective action periods provided for in Chapter 2306 or the Department's rules;~~

~~(3) an established pattern of repeated substantive and material violations even if corrected within the applicable corrective action periods; or,~~

~~(4) violations which exhibit self dealing, willful misconduct, gross negligence, or a disregard for human health and safety.~~

§2.302 Administrative Penalty Process

(a) The Executive Director will appoint an Enforcement Committee, as defined in §2.102, relating to Definitions of this chapter.

(b) The Compliance Division will recommend the initiation of administrative penalty proceedings to the Enforcement Committee by referral of a compliance monitoring matter to the secretary of the Committee.

(c) The secretary of the Enforcement Committee shall promptly contact the Responsible Party describing the violations involved. If the secretary is able to facilitate closure of the matter without further action by the Committee, the secretary will report back to the Compliance Division. Should the secretary and Responsible Party fail to come to closure, the matter will be presented to the Enforcement Committee for possible action.

(d) The Enforcement Committee will offer to hold an informal meeting with the Responsible Party to attempt to reach an agreed resolution. If any such meeting is held:

(1) Statements made in the meeting shall not be used as evidence in any proceedings if agreed resolution is not reached. This does not preclude establishing such matters through the introduction of proper evidence.

(2) The Responsible Party may, but is not required to be, represented by legal counsel of their choosing at their own cost and expense.

(3) The Responsible Party may bring to the meeting third parties, employees, and agents with knowledge of the issues; and,

(4) In order to facilitate candid dialogue, informal meetings will not be open to the public, however, the Committee may include such other persons or witnesses as the Committee deems necessary for a complete and full development of relevant information and evidence.

(e) An informal meeting may result in:

(1) An agreement to dismiss the matter with no further action, which will then be reported to the Executive Director;

(2) A Compliance Assistance Notice issued by the Committee, available for Responsible Parties appearing for the first time before the committee for matters which the Committee determines do not necessitate the assessment of an administrative penalty, but for which the Committee wishes to place the Responsible Party on specific notice with regard to possible future violations;

(3) An agreement to resolve the matter through corrective action without penalty. In this circumstance, the agreement shall be reported to the Executive Director;

(4) An agreement to resolve the matter through corrective action with the assessment of an administrative penalty, and may, where appropriate, include additional corrective action. In this circumstance, a proposed agreed order and draft report will be prepared and presented to Board for approval;

(5) A recommendation by the Committee to the Executive Director regarding the issuance of a report to the Board and issuance of a Notice of Violation to the Responsible Party seeking the assessment of administrative penalties;

(6) A determination that the Responsible Party should be referred for debarment, in which case the Responsible Party will be offered another opportunity to appear before the Committee; or,

(7) Other action as the Committee deems appropriate.

(f) Upon receipt of a recommendation from the Committee regarding the issuance of a report and assessment of an administrative penalty, the Executive Director shall determine whether a violation has occurred. If needed, the Executive Director may request additional information and/or return the recommendation to the Committee for further development. If the Executive Director determines that a violation has occurred, the Executive Director will issue a report to the Board in accordance with §2306.043 of the Texas Government Code.

(g) Not later than fourteen (14) days after issuance of the report to the Board, the Executive Director will issue a Notice of Violation to the Responsible Party. The Notice of Violation issued by the Executive Director will include:

(1) a brief summary of the alleged violation(s) together with reference to the particular sections of the statutes and rules alleged to have been violated;

(2) a statement informing the Responsible Party of the right to a hearing before the Board, as conducted by the State Office of Administrative Hearings (“SOAH”), on the occurrence of the violation, the amount of penalty, or both;

~~the amount of the recommended penalty;~~

(3) any other matters deemed relevant ~~a statement informing the Responsible Party of the right to a hearing before the Board, as conducted by the State Office of Administrative Hearings (“SOAH”), on the occurrence of the violation, the amount of penalty, or both;~~ and

(4) the amount of the recommended penalty. any other matters deemed relevant. In determining the amount of a recommended administrative penalty, the Executive Director shall take into consideration whether the Responsible Party has timely taken appropriate actions within their control, the amount of penalty necessary to deter future violations, and in the instance of a

proceeding to assess administrative penalties against a Responsible Party administering CSBG, CEAP, ESG or HHSP, whether the assessment of such penalty will interfere with the uninterrupted delivery of services under such program(s). He or She shall further take into account whether the Department's purposes may be achieved or enhanced by the use of full or partial probations of penalties subject to adherence to specific requirements and whether the violation(s) in question involve disallowed costs or other matters giving rise to financial exposure to the Department.

(g) The amount of recommended penalty will be determined with reference to a penalty schedule shown in figure 2.302.

(h) Not later than twenty (20) days after the Responsible Party receives the Notice of Violation, the Responsible Party may accept the determination and recommended penalty or request a hearing.

(i) If the Responsible Party requests a hearing or does not respond to the Notice of Violation, the Executive Director, with the approval of the Board, shall cause the hearing to be docketed before a SOAH administrative law judge in accordance with Title 10, Part 1, Chapter 1, §1.13 (relating to Adjudicative Hearing Procedures).

§2.302 Penalty table for Multifamily Rental Violations.

Noncompliance Event	First time violation Administrative Penalty	Repeat Violation
Violations of the Uniform Physical Condition Standards	Up to \$500 for level 3 deficiencies, up to \$250 for level 2 deficiencies, up to \$125 for level 1 deficiencies	Up to \$1,000 for level 3 deficiencies, up to \$500 for level 2 deficiencies, up to \$250 for level 1 deficiencies
Noncompliance related to Affirmative Marketing requirements described in §10.613 of this title	Up to \$500	Up to \$1000
Development is not available to the general public because of leasing issues	Up to \$750 per day per violation	Up to \$1,000 per day per violation
Owner did not allow on-site monitoring or failed to notify residents resulting in inspection cancelation	Up to \$1,000 per day	Up to \$1,000 per day
Failure to timely enter into Land Use Restriction Agreement (LURA)	Up to \$1,000 per day	Up to \$1,000 per day

Noncompliance Event	First time violation Administrative Penalty	Repeat Violation
Project failed to meet minimum set aside	Up to \$1,000 per day	Up to \$1,000 per day
No evidence of, or failure to certify to material participation of a non-profit or HUB, if required by LURA	<u>Up to</u> \$10 per day per violation	<u>Up to</u> \$20 per day per violation
Development failed to meet additional state required rent and occupancy restrictions	Up to \$250 per day per violation	<u>Up to</u> \$500 per day per violation
Noncompliance with social service requirements	Up to \$500 per violation	Up to \$750 per violation
Development failed to provide housing to the elderly as promised at application	Up to \$5 per day per violation	Up to \$10 per day per violation
Failure to provide special needs housing as required by LURA	Up to \$1,000	Up to \$1,000
Changes in Eligible Basis or Applicable percentage <u>in violation of the IRS 8823 Audit Guide or other IRS guidance</u>	Up to \$1,000 per day per violation	Up to \$1,000 per day per violation
Failure to submit all or parts of the Annual Owner’s Compliance Report	Up to \$1,000	Up to \$1,000
Failure to timely submit quarterly reports as required by §10.603	<u>Up to</u> \$100 for first violation	<u>Up to an A</u> additional \$500 for each subsequent quarter the report is not submitted
Noncompliance with utility allowance requirements described in §10.610 and/or Treasury Regulation §1.42-10	<u>Up to</u> \$50 per unit per day	<u>Up to</u> \$100 per unit per day
Noncompliance with lease requirements described in §10.609	Up to \$500	Up to \$1000
Development has failed to establish and maintain a reserve account in accordance with §10.405 of this title	Up to \$1,000	Up to \$1,000

Noncompliance Event	First time violation Administrative Penalty	Repeat Violation
Failure to provide a notary public as promised at application	Up to \$500	Up to \$750
Violation of the Unit Vacancy Rule	<u>Up to</u> \$250 per violation	<u>Up to</u> \$500 per violation
Failure to provide pre-onsite documentation	Up to \$250	Up to \$500
Failure to provide amenity as required by LURA	Up to \$750 per violation	Up to \$1000 per violation
Failure to pay asset management, compliance monitoring or other required fee	<u>Up to</u> \$250 for the first day plus \$10 per day for each subsequent day the violation continues	<u>Up to</u> \$500 for the first day plus \$50 per day for each subsequent day the violation continues
Change in ownership without department approval (other than removal of a general partner in accordance with §10.406 of this chapter)	<u>Up to</u> \$1000 for the first day plus \$100 per day for each subsequent day the violation continues	<u>Up to</u> \$1000 for the first day plus \$200 per day for each subsequent day the violation continues
Failure to timely provide fair housing disclosure notice	Up to \$100 per violation	Up to \$200 per violation
Noncompliance with tenant selection requirements described in §10.606 of this title	Up to \$500 per violation	Up to \$1,000 per violation
Program Unit not leased to Low-Income household	Up to \$1,000 per violation	Up to \$1,000 per violation
Program unit occupied by nonqualified full-time students	Up to \$1,000 per violation	Up to \$1,000 per violation
Low-Income units used on a transient basis	Up to \$500 per violation	Up to \$1,000 per violation
Violation of the Available Unit Rule	<u>Up to</u> \$500 per violation	<u>Up to</u> \$1,000 per violation
Gross rent exceeds the highest rent allowed under the LURA or other deed restriction	<u>Up to</u> \$50 per unit per day	<u>Up to</u> \$150 per unit per day
Failure to provide Tenant Income Certification and documentation	<u>Up to</u> \$250 per violation	<u>Up to</u> \$250 violation

Noncompliance Event	First time violation Administrative Penalty	Repeat Violation
Unit not available for rent	<u>Up to</u> \$1,000 per unit per violation	<u>Up to</u> \$1,000 per unit per violation
Failure to collect data required by §10.608(b)(1) and/or §10.608(b)(2)	<u>Up to</u> \$50 per violation	<u>Up to</u> \$100 Per violation
Development evicted or terminated the tenancy of a low-income tenant for other than good cause	Up to \$1,000 per violation	<u>Up to</u> \$1,000 per violation
Household income increased above 80 percent at recertification and Owner failed to properly determine rent	<u>Up to</u> \$500 per violation	<u>Up to</u> \$1,000 per violation
Any other violation of Texas Government Code Chapter 2306 or rule or order adopted under chapter 2306	Up to \$1,000 per violation per day	Up to \$1,000 per violation per day
Failure to meet accessibility requirements	Up to \$1,000 per violation	Up to \$1,000 per violation

§2.302 Penalty table for Single Family Program Violations.

Noncompliance Event	First time violation Administrative Penalty Up To	Repeat Violation
Noncompliance related to Affirmative Marketing requirements	Up to \$500	Up to \$1000
Fair housing violations	Up to \$100 per violation	Up to \$200 per violation
Repeated violations of interim loan terms or timeline	Up to \$500	Up to \$1000
Records retention violations	Up to \$100 per violation	Up to \$200 per violation
Failure to attend required training as required by program rule, policy or agreement	Up to \$100 per violation	Up to \$200 per violation
Providing assistance to households that are not income eligible	Up to \$500	Up to \$1000
Violations of construction standards	Up to \$500	Up to \$1000

Noncompliance Event	First time violation Administrative Penalty Up To	Repeat Violation
Violations of property condition standards	Up to \$500	Up to \$1000
Violation of Conflict of Interest Policies	Up to \$500	Up to \$1000
Violation of program policies regarding use of funds for sectarian or religious activity	Up to \$500	Up to \$1000
Failure to comply with Limited English Proficiency (“LEP”) policies in accordance with program rule, policy or agreement	Up to \$500	Up to \$1000
Failure to comply with labor standards requirements in accordance with program rule, policy or agreement	Up to \$500	Up to \$1000
Failure to comply with procurement policies as required by program rule, policy or agreement	Up to \$500	Up to \$1000
Failure to comply with Section 3 requirements in accordance with program rule, policy or agreement	Up to \$500	Up to \$1000
Failure to comply with displacement policies as required by program rule, policy or agreement	Up to \$500	Up to \$1000
Failure to provide Tenant Income Certification and documentation	<u>Up to</u> \$250 per violation	<u>Up to</u> \$250 violation
Failure to collect data required by program rules, policies or agreements	<u>Up to</u> \$50 per violation	<u>Up to</u> \$100 Per violation
Failure to provide reports required program rules, policies or agreements, such as single audit certifications	<u>Up to</u> \$250 per violation	<u>Up to</u> \$1,000 per violation
Failure to provide required documentation or corrections to documentation	Up to \$50 per day	Up to \$150 per day

Noncompliance Event	First time violation Administrative Penalty Up To	Repeat Violation
Failure to comply with defective mortgage loan policies per program rules, policies or agreements	<u>Up to \$50</u> per violation	<u>Up to \$100</u> Per violation
Development evicted or terminated the tenancy of a low-income tenant for other than good cause	<u>Up to \$500</u> per violation	<u>Up to \$1,000</u> per violation
For tenant-based rental programs, Household income increased above 80 percent at recertification and Owner failed to properly determine rent	<u>Up to \$500</u> per violation	<u>Up to \$1,000</u> per violation
For tenant-based rental programs, gross rent exceeds the highest rent by program rule, policy or agreement	<u>Up to \$50</u> per unit per day	<u>Up to \$150</u> per unit per day
Failure to return or repay funds to the Department as required by rule, policy or agreements (such as contract termination, assessed penalties, disallowed costs, overpayment, Deobligation, or recapture)	Up to \$50 per day	Up to \$150 per day
Any other violation of Texas Government Code Chapter 2306 or rule or order adopted under chapter 2306	Up to \$1,000 per violation per day	Up to \$1,000 per violation per day
<u>Failure to meet accessibility requirements</u>	<u>Up to \$1,000 per violation</u>	<u>Up to \$1,000 per violation</u>
<u>Noncompliance with applicable OMB or state financial management requirements</u>	<u>Up to \$500</u>	<u>Up to \$1000</u>

§2.302 Penalty table for Community Affairs Program Violations.

Noncompliance Event	First time violation Administrative Penalty Up To	Repeat Violation
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Noncompliance Event	First time violation Administrative Penalty Up To	Repeat Violation
Lack of financial duties or material inventory segregation of duties	Up to \$500	Up to \$1,000
No Cost Allocation / Not Cost Allocating properly	Up to \$500 for each instance	Up to \$1,000 for each instance
Violation of Texas Public Information Act	Up to \$1,000 for each instance + up to \$100 for each day the entity failed to comply	Up to \$1,000 for each instance + up to \$200 for each day the entity failed to comply
Lack of Insurance or Fidelity Bond Coverage or Lack of timely payments on Taxes, IRS, TWC	Up to \$1,000+ up to \$100 a day for each day not in compliance	Up to \$1,000 + up to \$200 a day for each day not in compliance
Failure to submit Inventory Report within 45 days (end of contract period)	Up to \$500	Up to \$1000
Unallowable/Unreasonable expenditure	Up to \$1,000 for each instance	Up to \$1,000 for each instance
Violation of Procurement Requirements	Up to \$1,000 for each service or product not procured	Up to \$1,000 for each service or product not procured
Lack of Subcontractor contract or	Up to \$250 for each instance	Up to \$500 for each instance
Lack of prior approval for purchase(s)	Up to \$500 for each instance	Up to \$1,000 for each instance
Instance of Fraud, Waste and/or Abuse	Up to \$1,000	Up to \$1,000
Comingling of funds, Misapplication of funds.	Up to \$1,000	Up to \$1,000
Failure to timely submit Audit Certification Form	Up to \$250	Up to \$500 + up to \$200 for each month not in compliance
Failure to timely submit Single Audit	Up to \$1,000	Up to \$1,000 + up to \$100 for each day not in compliance
Auditor noting Community Affairs program(s) Findings or concerns in the a Single Audit	Up to \$500 for each Finding or concern	Up to \$1,000 for each Finding or concern

Noncompliance Event	First time violation Administrative Penalty Up To	Repeat Violation
Lack of providing requested documentation/item(s) for monitoring	Up to \$500 per day for each item or documentation not provided	
Failure to timely respond to Report/ provide required correspondence	Up to \$1,000	Up to \$1,000 + up to \$100 for each day not in compliance
Failure to report/record program income	Up to \$500 for each instance	Up to \$1,000 for each instance
Failure to timely submit and/or inaccurate reporting on Monthly Expenditure / Programmatic Reports	Up to \$250 for each instance	Up to \$500 for each instance
Failure to properly dispose of client files resulting in breach of confidentiality <u>Noncompliance with record retention requirements</u>	Up to \$500 for each instance	Up to \$1,000 for each instance
Providing assistance to income or SAVE ineligible applicants	Up to \$500 for each instance	Up to \$1,000 for each instance
Service provided to clients not according to poverty population makeup	Up to \$500	Up to \$1,000
Failure to timely submit a Community Needs Assessment (1x5yr)	Up to \$750	Up to \$1,000 + up to \$100 for each day of non-compliance
Lack of adhering to Community Action Plan or Service Delivery Plan	Up to \$500	Up to \$750
Failure to meet HHSP Benchmarks or CSBG target for transitioning clients out of poverty.	Up to \$500 for each target client not reached	Up to \$1,000 for each target client not reached
Failure to meet Board of Director Requirements	Up to \$1,000 + up to \$100 for each day the entity failed to comply	Up to \$1,000 + up to \$250 for each day the entity failed to comply
Failure to comply with Department minimum applicant/client <u>denials</u> and appeals	Up to \$250 for each instance	Up to \$500 for each instance

Noncompliance Event	First time violation Administrative Penalty Up To	Repeat Violation
Failure to Prioritize applicants	Up to \$250 for each instance	Up to \$500 for each instance
Lack of providing Assurance 16 activities	Up to \$250 for each instance	Up to \$500 for each instance
Failure to complete or to properly complete required program documents, and/or processes	Up to \$250 for each instance	Up to \$750 for each instance
<u>Failure to complete or properly complete a process required by the 10 TAC, Part 1, Chapter 5.</u>	<u>Up to \$250 for each instance</u>	<u>Up to \$750 for each instance</u>
Payment to Vendor without a Vendor Agreement or Failure to pay vendor(s) timely	Up to \$500 for each instance	Up to \$1,000 for each instance
Failure to perform Outreach activities	Up to \$500	Up to \$1,000
Weatherized unit expenditure over maximum cost per unit w/o prior approval	Up to \$500 for each instance	Up to \$1,000 for each instance
Failure to input HHSP client data into the Homeless Management Information System	Up to \$500 for each instance	Up to \$1,000 for each instance
<u>Other noncompliance with a contract requirement</u>	<u>Up to \$1000</u>	<u>Up to \$1000</u>
<u>Failure to comply with case management requirements</u>	<u>Up to \$500</u>	<u>Up to \$750</u>
<u>Noncompliance with Material Installation Standards Manual</u>	<u>Up to \$500</u>	<u>Up to \$750</u>
<u>Noncompliance with applicable OMB or state financial management requirements</u>	<u>Up to \$500</u>	<u>Up to \$1000</u>
<u>Noncompliance with Texas Prompt Payment Act</u>	<u>Up to \$500</u>	<u>Up to \$750</u>
<u>Noncompliance with Historical Commission requirements</u>	<u>Up to \$500</u>	<u>Up to \$750</u>

Subchapter D Debarment From Participation in Programs Administered by the Department

§2.401 General

(a) The Department's Enforcement Committee may debar a Responsible Party, a Consultant and/or a Vendor who has exhibited past failure to comply with any condition imposed by the Department in the administration of its programs. A Responsible Party, Consultant or Vendor is subject to disbarment for, but not limited to the following:

(1) The Responsible Party has been placed on full or partial cost reimbursement and failed to provide the Compliance Division with an acceptable plan to implement and adhere to procedures to ensure compliant operation of the program; or,

(2) The Responsible Party, Consultant or Vendor meets any of the ineligibility criteria referenced in §10.202 of the Department's Uniform Multifamily Rules, Title 10, Part 1, Chapter 10, Subchapter C, related to Ineligible Applicants and Applications.

(3) Providing fraudulent information, knowingly falsified documentation, or other intentional or negligent material misrepresentation or omission with regard to any documentation, certification or other representation made to the Department.

(b) The Department shall debar any Responsible Party who has:

(1) Materially or repeatedly violated any condition imposed by the Department in connection with the administration of a Department program, including a material or repeated violation of a land use restriction agreement (LURA) regarding a development supported with a housing tax credit allocation; or,

(2) ~~Is~~ debarred from participation in any program administered by federal housing programs by the United States Government .Department of Housing and Urban Development ("HUD").

(c) Material violations of a LURA. In General LURAs entered into between Responsible parties and the Department require owners to maintain property in a manner that is suitable for occupancy and in accordance with State and Federal regulations. To determine compliance with this requirement, in accordance with Treasury Regulations, the Department uses the Uniform Physical Condition Standards protocol. A person will be considered to have materially violated a Land Use Restriction Agreement if they control a Development that has, on more than one occasion scored 50 or less on a UPCS inspection, transfers a Development without regard for a Right of First Refusal requirement, refused to allow a monitoring visit, or refuses to reduce rents to less than the highest allowed under the LURA.

(d) Repeated Violations of a LURA that shall be considered grounds for Debarment. A person shall be recommended for debarment if they control a Development that during two sequential monitoring visits are found to be out of compliance with the following events of noncompliance:

(1) No evidence of, or failure to certify to, material participation of a non-profit or HUB, if required by the Land Use Restriction Agreement;

(2) Development failed to meet additional state required rent and occupancy restrictions;

(3) Development failed to provide ~~required~~ supportive services required by LURAs as promised at application;

(4) Development failed to provide housing to the elderly as promised at application;

(5) Utility allowance not properly calculated cited for failure to update or failure to request permission to switch methodologies or miscalculation causes overcharge of rents; or

(6) Owner failed to execute required lease provisions, including language required by §10.613 of this title (relating to Lease Requirements) or exclude prohibited language.

(e) Material or repeated violations of conditions imposed in connection with the administration of Programs administered by the Department. Single Family Administrators, Contractors, multifamily applicants, and related parties shall be referred to the Enforcement Committee for consideration for sanctions or debarment for material or repeated violations including but not limited to:

(1) Excessive loan defaults in the first 12 months of the loan agreement;

(2) Taking "choice limiting" actions prior to receiving HUD environmental clearance (24 CFR §58.22)~~Taking choice limiting activities~~;

(3) Disallowed costs that are not repaid;

(4) Substandard construction and repeated failure to conduct required inspections;

(5) Repeatedly participating in procurement violations;

(6) Davis Bacon Act Violations including but not limited to:

(A) Failure to pay restitution (underpayment of wages). *29 CFR §5.31.*

(B) Failure to pay liquidated damages (overtime violations). *29 CFR §5.8.*

(C) Repeated failure to pay full prevailing wage, including fringe benefits, for all hours worked. *29 CFR §5.31.*

(7) Uniform Relocation Act and §104(d) Violations including but not limited to:

(A) Repeated failure to provide the General Information Notice to tenants prior to application. *49 CFR §24.203, 24 CFR §92.353 and HUD Handbook 1378.*

(B) Repeated failure to provide all required information in the General Information Notice. *49 CFR §24.203, 24 CFR §92.353 and HUD Handbook 1378.*

(C) Repeated failure to provide the Notice of Eligibility and/or Notice of Non-displacement on or before the Initiation of Negotiations date. *49 CFR §24.203 and 24 CFR §92.353, Displacement.*

(D) Repeated failure to provide all required information in the Notice of Eligibility and/or Notice of Non-displacement. *49 CFR §24.203 and 24 CFR §92.353.*

(E) Repeated failure to provide 90 Day Notices to all “displaced” tenants and/or repeated failure to provide 30 Day Notices to all “non-displaced” tenants. *49 CFR §24.203 and 24 CFR §92.353.*

(F) Repeated failure to perform and document “decent, safe and sanitary” inspections of replacement housing. *49 CFR §24.203 and 24 CFR §92.353.*

(G) Failure to properly provide Uniform Relocation Act or 104(d) assistance. *49 CFR §24.203, 24 CFR §92.353 and Section 104(d) of the Housing & Community Development Act of 1974 – 24 CFR 42.*

(8) Repeated failure to serve income eligible households;

(9) Repeated failure to provide eligible match. *24 CFR §92.220 and 24 CFR §576.201*

(10) Repeated failure to report program income. *24 CFR §570.500, 24 CFR 576.407(c) and OMB A 110 Relocated to 2 CFR Part 215 (if applicable), Texas Administrative Code Title 10, Part 1, Ch. 20, Rule §20.9*

(11) Participating in activities leading to or giving the appearance of “Conflict of Interest”. *OMB A-110 Relocated to 2 CFR Part 215 (if applicable), 24 CFRs §84.42, §92.356 (if applicable) Texas Administrative Code Title 10, Part 1, Ch. 20, Rule §20.9*

(12) Repeated material financial system deficiencies. *24 CFR Parts §84.21, §84.43, §85.20, §85.22, §85.36, §92.205, §92.206, §92.350, §92.505, §92.508 (if applicable), OMB A-110 Relocated to 2 CFR Part 215 (if applicable), OMB A-87 Relocated to 2 CFR Part 225 (if applicable), OMB A-122 Relocated to 2 CFR Part 230 (if applicable), Texas Administrative Code Title 10, Part 1, Ch. 20, Rule §20.9 and Uniform Grant Management Standards (if applicable)*

(f) Material or repeated violations of conditions imposed in connection with the administration of Community Affairs Programs administered by the Department. Community Affairs subrecipients Administrators, Contractors and related parties shall be referred to the Enforcement Committee for consideration for debarment for material or repeated violations including but not limited to:

(1) Instance of Fraud, Waste and/or Abuse;

(2) Comingling of funds, Misapplication of funds;

(3) Failure to timely submit a required Single Audit or other programmatic audit;

(4) Lack of providing requested documentation/item(s) for monitoring;

(5) Failure to timely respond to Report/ provide required correspondence;

(6) Failure to reimburse excess cash on hand;

(7) Failure to reimburse disallowed expenditures and/or

(8) Failure to meet Board of Director Requirements.

(g) Before a Responsible Party is recommended for debarment they shall be given written notice of the matter, setting forth the facts and circumstances justifying debarment. The Responsible Party shall then be offered the opportunity to attend an Informal Conference with the Enforcement Committee to discuss resolution of the matter.

(h) An Informal Conference may result in:

(1) An agreement to dismiss the matter with no further action, which will then be reported to the Executive Director;

(2) An agreement to resolve the matter through corrective action without debarment which will then be reported to the Executive Director;

(3) An Agreed debarment which will then be reported to the Executive Director;

(4) A recommendation by the Committee to the Executive Director for debarment; or

(5) Other action as the Committee deems appropriate.

(i) The Enforcement Committee's recommendation to the Executive Director regarding debarment shall include a recommended period of debarment. Recommended periods of debarment will be based on material factors such as repeated occurrences, seriousness of underlying issues, and presence or absence of corrective action, including corrective action to install new responsible persons and ensure they are qualified and properly trained. Recommended periods of debarment if based upon HUD debarment, shall be for the period of the remaining HUD debarment; or, if based upon criminal conviction, shall be up to ten (10) years or until fulfillment of all conditions of incarceration and/or probation, whichever is greater.

(j) The Executive Director shall accept, reject, or modify the debarment recommendation by the Enforcement Committee and shall provide written notice to the Responsible Party of his determination, and an explanation of his determination if different than the Enforcement Committee's recommendation, including the period of debarment, if any. Not later than the twentieth (20th) day after the date the Responsible Party receives the notice, the Responsible Party may appeal the debarment determination in writing to the Board.

(k) The debarment recommendation will be brought to the next Board meeting for which the matter can be properly posted. The Board reserves discretion to impose longer or shorter debarment periods than those recommended by staff based on its finding that such longer or shorter periods are appropriate when considering all factors and/or for the purposes of equity or other good cause.

(l) Any person who has been debarred is prohibited from participation in programs administered by the Department for the term of their debarment unless by its terms the order of debarment permits continuing activity in one or more specified programs. The Board will not consider shortening the debarment period after the decision of the Department is final.

Comments received through the online discussion forum through April 1, 2014

1. *“How can TDHCA assess fines if monitoring findings are sometimes unfair? For example, my agency received a finding in 2011 for four late reports for a DOE contract. The reason the reports were late was because TDHCA awarded the contract in August of 2010 with a start date of April 2010. The reports from April to July were submitted in August and so all four reports were technically “late”. The monitor who gave the findings was supplied with documentation showing that the contract was not awarded until August, but the monitor said that the late contracts had to be noted as a finding even though it was a situation beyond my agency’s control. CAP agencies recently received two DOE contracts in February 2014 with end dates of March 31, 2014. One of the contracts has a start date of September 1, 2013 and so all the reports from September to January had to be submitted “late” and my agency is concerned that we will receive a similar finding to the one in 2011. If the Enforcement Rule is passed, my agency will be fined \$2,500 (Up to \$500 for each instance) since it would be considered a repeat violation.”*

2. *“During the recent roundtable forums, TDHCA (the Department) staff referenced the 83rd Regular Legislative Session in which several changes were made to the Department’s enabling legislation prompting the proposed enforcement rule. SB 659 authored by Senator Royce West and HB 3361 authored by Representative Harold Dutton expanded the use of “debarment” language to all programs overseen by the Department. Upon pointing this out, reference was then made to the Sunset Advisory Commission’s (Commission) report regarding the Department as the purpose of the proposed rule. In the Texas Department of Housing and Community Affairs Sunset Final Report with Legislative Action, the Commission identified recommendations in “Issue 2, Inconsistencies in the Department’s Enforcement Process Could Waste Resources and Contribute to Compliance Problems.” The report reflects these three recommendations: (1) Clarify the agency’s ability to refer penalty appeals hearings to the State Office of Administrative Hearings; (2) Require judicial review of appeals of the Department’s decisions to be based on the substantial evidence rule; and (3) Authorize the Department to use debarment as a sanction and protection in all its programs.*

The network of Community Action Agencies (CAAs) does not oppose debarment. *We strongly believe in due process for debarment proceedings and we encourage the Department to continue to develop processes consistent with due process requirements found under the CSBG rules and regulations.*

However, we do oppose administrative assessment fines, which are not referenced or mandated in the two bills passed in the 83rd Regular Legislative Session and signed by the Governor or referenced in the July 2013 Sunset Advisory Commission’s report.

► *It was disclosed during the roundtable sessions that key personnel from Compliance and the current Enforcement Committee receiving comments on this document expressed lack of knowledge regarding Community Affairs programs.*

► *Lack of availability of training and technical assistance contributes to monitoring findings. In some cases, information provided through the Department’s training and technical assistance team does not prohibit findings by Compliance staff.*

► *Community Affairs programs are administered by nonprofit, city, county and local units of government. Federal funds cannot be used to pay fines. Lack of non-governmental revenue streams will prevent these organizations from being able to pay fines.*

While it is true Texas Government Code 2306.041, Imposition of Penalty, states that the board (Department) ‘may’ impose an administrative penalty, we ask the board not to impose penalty fines to the Community Affairs programs for the many reasons, examples, uncertainties, and inconsistencies expressed at each of the roundtable sessions.”

3. *“My name is Bradley S. Manning, CPA and I am the Executive Director of Texas Neighborhood Services. In addition to this role, I also serve as Treasurer of the National Community Action Partnership in Washington, DC and the Texas Association of Community Action Agencies in Austin, Texas. Today I make these comments individually, and not as a representative of any of the abovementioned organizations.*

BACKGROUND

The Texas Administrative code in Sec. 2306.041. IMPOSITION OF PENALTY, states the following:

The board may impose an administrative penalty on a person who violates this chapter or a rule or order adopted under this chapter. Added by Acts 2007, 80th Leg., R.S., Ch. 1341 (S.B. 1908), Sec. 10, eff. September 1, 2007.

As you can see, this legislation was enacted by the 80th Legislature (not the 83rd as referenced in the latest Sunset Bill), effective September 1, 2007 at which time administrative penalties were instituted on both Housing programs and Community Services programs. (A.) Housing programs instituted penalties out of non-federal revenue for errors or issues incurred as listed above, and (B.) Penalties for Community Services programs were incurred as repayment out of non-federal funds for expenses disallowed for federal funding purposes.

The process defined in 2007 seems like a fair and reasonable administrative penalty situation, where failure to follow the terms and conditions of contractual items carried with it fines and penalties equitably for both divisions covered by TDHCA.

The 83rd Legislature in TDHCA’s sunset provision in both the house and senate versions of the bill talk about the board developing rules for debarment for programs administered by the Department, but further goes on to clear up some inconsistent language regarding who can be debarred. The language clearly expands the debarment language beyond that of just housing tax credit programs.

CONCERNS

It appears that the Department in proposing its Enforcement Policy and Procedure (of which these comments are intended) have overstepped their authority by creating a second layer of administrative penalties for Community Service Programs. In their rulemaking, they now wish to assess administrative penalties out of non-federal funds IN ADDITION to requiring repayment of disallowed costs out of non-

federal funds. Housing programs do not appear to have such double dipping requirements.

In addition to the double dipping, it appears the basis for administrating such penalties has been expanded to areas where there are inconsistencies. For example, the US Office of Management and Budget (OMB) will be issuing new regulations effective in late 2014 early 2015; which will substantially change how certain items of costs are treated. The current OMB regulations are promulgated for State of Texas programs in the Uniform Grants Management Standards (UGMS). This was done by Governor Rick Perry and last adopted in June of 2004. Currently there are inconsistencies the rules between UGMS and OMB, and the basis for inconsistency will expand later this year unless UGMS is rewritten to conform to OMB. HOWEVER, administrative penalties can be assessed for failure to meet provisions in UGMS. The penalties are not defined as noncompliance with UGMS, but in the individual provisions.

Third point of concern is that Department Compliance Staff at repeated meeting have indicated they do not fully understand Community Affairs Programs. This appears to be confirmed by the double-dipping issues listed above.

Lastly, it has been stated that Debarment Procedures could be enacted not only on a sub-recipient, but on an individual working for the sub-recipient. This would be to prevent a problem employee (CFO, accountant, CEO, ED, etc) from leaving the organization and becoming a consultant. How would the administrative penalties work for this situation? Would the penalties be access to the individual and/or the sub-recipient? Maybe the organization is hit with the penalties, but the individual is debarred? I am greatly concerned that inconsistent treatment of individuals in this process would occur. Some would be debarred, some would not, based on who they worked for or not. This is not clearly defined.

CONCLUSION

Forcing through at break-neck pace rules for administrative penalties without fully developing the rationale behind current methodologies for the assessment of penalties seems to not be in the best interest of the Department or the Sub - recipients. I would strongly encourage the board to further study the assessment of administrative penalties as this component is NOT part of the Sunset Review process requiring immediate action, and make sure penalties are fair and equitable, and not used as a component to enact reduction of the number of Community Action Agencies.”

4. “Some of the LURAs list specific services to be provided, and debarment is not justified if alternative services are provided, but not the specific services required by the LURA. “Development provided no supportive services at all even though supportive services are required by the LURA” would be more of a cause for debarment.”

5. My objection is regarding the amounts of the fines. Many of these will accumulate on a daily basis. On older properties if these fees are to be paid by the property this will put a huge burden on the properties. Many times the reason for the non-compliance may be due to lack of funds. If this fee is to be paid by the owners you may have owners drop from the programs and pull the properties from the low income tax rolls, especially those that are older than 15 years of age. I have in the past managed properties that the owners were almost nonexistent. In one case the owner took off with all of the funds for the property. There was no reserve, security or tax and insurance funds. We only had the rents that

were collected on a monthly basis to use to make the needed repairs, adding an additional financial burden to the property. This will not help the property get the needed repairs completed. If these fees are to be set in stone and everyone has to pay without exceptions being made, you may be compounding an already serious situation by making it worse. You could be end up with some properties being pulled from the programs by default.

6. *“Smaller projects, including single buildings, should be subject to a lower maximum penalty for failing to meet the minimum setaside. We propose the following:*

7. *"Project (12 units or less) failed to meet minimum setaside: up to \$250 per day. Project (more than 12 units) failed to meet minimum setaside: up to \$1,000 per day."*

8. *“There are "changes in Eligible Basis or Applicable Percentage" that are not 8823 violations. For example, at application a developer may claim eligible basis of \$10 million, and at cost certification eligible basis may only be \$9 million, or the floating applicable percentage may go up or down because of rate changes. These events could cause the credit allocation to decrease, but should not lead to a TDHCA fine of \$1,000 per day. Can you qualify this violation such as, "Changes in Eligible Basis or Applicable Percentage in violation of the IRS 8823 Guide?"*

9. *“The violation "Development is not available to the general public because of leasing issues" should also be qualified to clarify, as the 8823 Guide does, that this relates to violations of the Fair Housing Act. The event could be "Development is not available to the general public because of fair housing violations" or "Development is not available to the general public in violation of the IRS Guide for Completing Form 8823."*