

SUPPLEMENT

BOARD MEETING OF NOVEMBER 10, 2010

C. Kent Conine, Chair



Gloria Ray, Vice-Chair

Leslie Bingham Escareño, Member

Tom Gann, Member

Lowell Keig, Member

Juan Muñoz, Member

**MULTIFAMILY FINANCE DIVISION
BOARD ACTION REQUEST
November 10, 2010**

Presentation, Discussion and Possible Action on remaining Exchange funds to applicant(s) that have requested funds in accordance with the Notice of Funding Availability (NOFA) for Exchange Funds subject to Threshold Review, Previous Participation Review, Underwriting and changes due to final application requests; and the approval of additional awards subject to the return of previously awarded Exchange applications.

Recommended Action

Authorize the Executive Director to approve additional awards of any remaining Exchange funds if necessary.

WHEREAS, the Board adopted a Housing Tax Credit Exchange Policy on July 30, 2009 to implement the Exchange Program authorized under the American Recovery and Reinvestment Act of 2009 (the Act); and

WHEREAS, the Board recognizes the urgency of closing these developments and completing construction in furtherance of the goals of the Policy and the Act;

WHEREAS, the Department has available Exchange funds from previously awarded applications that have either returned the funds or the awards were rescinded and has published a NOFA for the Exchange Funds, subject to ratification by this Board, in an effort to allocate these remaining funds prior to the December 31, 2010 deadline as stated in the Act;

It is hereby:

RESOLVED, that the NOFA for Exchange Funds as issued, is hereby ratified and confirmed; and

FURTHER RESOLVED, that applicants have submitted an Exchange application, all required documentation and information by the priority deadline of 12:00 p.m., November 5, 2010 and have been considered eligible to compete for an Exchange award; and

FURTHER RESOLVED, that applications have been subject to the original Final Exchange Policy as approved by the Board on July 30, 2009 and Final Exchange

Supplement Policy approved by the Board on July 30, 2009 and updated on October 23, 2009; and

FURTHER RESOLVED, that the applicants have been scored in accordance with the NOFA for Exchange Funds, and

FURTHER RESOLVED, that based on such scoring, Exchange funds in the amount of \$10,619,440 are hereby awarded to the following applications, subject to Threshold Review, Previous Participation Review, Exchange Underwriting and changes due to final application requests:

TDHCA #	Development Name	Exchange Subaward Amount	City	Applicant
10238	Prince Hall Plaza	\$ 5,056,044	Navasota	K.T. Akbari
10212	Longbridge Apartments	\$ 1,694,696	Groesbeck	Dennis Hoover
10112	Country Village Apartments	\$ 2,300,483	Mathis	Dennis Hoover
10213	Heritage Square Apartments	\$ 1,568,217	Wallis	Dennis Hoover
Total		\$ 10,619,440		

FURTHER RESOLVED, that the Executive Director has the authority to approve and award any remaining Exchange funds, currently estimated at \$414,032 and any subsequent returned funds to the next eligible application in accordance with the NOFA.

Background

The Exchange Program has resulted in eighty-six (86) total awards. Two awards were returned by the development owners and two awards were rescinded. Concurrently, two additional awards were granted. To date all eighty-four (84) Exchange awards as of the publication of this presentation have closed or closed into escrow.

Awards Returned:

TDHCA #	Development Name	City	Applicant
09938	Stardust Village	Uvalde	Cristela Perez
09909	Champion Homes at La Joya	La Joya	Saleem Jafar

Awards Rescinded:

TDHCA #	Development Name	City	Applicant
09904	LULAC Hacienda	Corpus Christi	David Marquez
09957	Woodland Park at Decatur	Decatur	Mark Feaster

Additional Awards:

TDHCA #	Development Name	City	Applicant
09989	Champion Homes at Bay Walk	Galveston	Saleem Jafar
09956	Abilene Senior Apartments	Abilene	Louis Williams

As of the publication of this presentation there is \$16,341,501 in Exchange funds remaining from the total Exchange funds of \$594,091,928. Should the Board approve the reinstatement of the LULAC Hacienda award as recommended by staff, the amount of funds available would decrease to \$11,033,472. Staff is anticipating awarding these funds to the selected applications presented herein (Exhibit A). Should the Board not approve

the reinstatement of LULAC Hacienda the next application to receive a full award would be Riverplace Apartments (\$1,846,876) and there would remain \$3,875,135. These funds would be available to the next whole award request that meets the NOFA criteria. Alternatively staff has received additional requests from six developments for \$2,807,132 in additional funds from already closed Exchange developments. Per these applicants, these requests have resulted from unexpected cost overruns or loss of local funding. The effect of these additional needs have not been evaluated by program staff. Staff does not recommend this alternative at this time because 1) these transactions have already had a chance to adequately and appropriately size the transactions, 2) an allocation distribution method that is equitable has not been identified at this time and 3) these transactions have not been re-underwritten to confirm the additional need.

[EXHIBIT A]
EXCHANGE PROGRAM
APPLICATIONS SUBMISSIONS TRACKING LIST
AS OF 12:00PM, NOVEMBER 5, 2010

DEAL NUMBER	DEAL NAME	ORIGINAL AWARD YEAR	AT RISK?	SCORE	RURAL/URBAN	NC/RH/AD R	HOME LOAN?	USDA?	RANKING	TAX CREDIT AMOUNT	EXCHANGE RATE	EXCHANGE AMOUNT	REMAINING EXCHANGE FUNDS	SUBMITTED BY PRIORITY DEADLINE?
													\$ 11,033,472	YES
10238	Prince Hall Plaza		2010 YES	219	Rural	RH			1	\$ 624,203		0.81 \$ 5,056,044	\$ 5,977,428	YES
10212	Longbridge Apartments		2010 YES	206	Rural	RH		USDA	2	\$ 199,376		0.85 \$ 1,694,696	\$ 4,282,732	YES
10112	Country Village Apartments		2010 YES	197	Rural	RH		USDA	3	\$ 270,645		0.85 \$ 2,300,483	\$ 1,982,249	YES
10213	Heritage Square Apartments		2010 YES	196	Rural	RH	YES	USDA	4	\$ 193,607		0.81 \$ 1,568,217	\$ 414,032	YES
10211	Riverplace Apartments		2010 YES	184	Rural	RH	YES	USDA	5	\$ 239,854		0.77 \$ 1,846,876		YES
10283	Lufkin Pioneer Crossing		2010 NO	211	Rural	NC			6	\$ 936,578		0.705 \$ 6,602,875		YES
10003	Champion Homes at Marina Landing	2009 Forward	NO	175	Urban	RH			7	\$ 1,643,824		0.77 \$ 12,657,445		YES
10131	Guadalupe Crossing		2010 NO	209	Rural	NC			8	\$ 858,688		0.77 \$ 6,611,898		YES
08300	Blackshear Homes		2008 NO	170	Urban	NC			9	\$ 316,123		0.77 \$ 2,434,147		YES
10000	Mustang Heights Apartments	2009 Forward	NO	160	Rural	NC			10	\$ 950,000		0.77 \$ 7,315,000		YES

Total Funds Available	\$ 11,033,472	
Total of Proposed Awards	\$ 10,619,440	
Remaining Funds	\$ 414,032	
Total Exchange Funds Allocated	\$ 594,091,928	
	\$ 577,750,427	97.25%
	\$ 16,341,501	
LULAC Hacienda	\$ 5,308,029	
Funds Available to Allocate	\$ 11,033,472	
Total of Proposed Awards	\$ 10,619,440	
	\$ 414,032	
Total of Previously Awarded and Proposed Awards	\$ 588,369,867	99.04%

TDHCA EXCHANGE PROGRAM

NOTICE OF AVAILABLE EXCHANGE FUNDS

(this "NOFA")

October 22, 2010

NOTE: This NOFA has NOT been approved or authorized by the TDHCA Governing Board and is being presented prior to such approval to expedite the finalization of the awarding of Exchange Funds. It will be presented to the TDHCA Governing Board for ratification AND award(s) at that board's meeting on November 10, 2010.

In an effort to ensure the maximum utilization of ARRA 1602 Exchange Program funds allocated to TDHCA are committed prior to the December 31, 2010, deadline, various options have been analyzed and considered to allocate the remaining Exchange funds. As of October 22, 2010, there are \$16,341,501 in Exchange funds projected to be remaining, or 2.75% of the total funds. One transaction was not able to close on the Exchange funds prior to the September 30, 2010, closing deadline and was, therefore, terminated. It is anticipated that it will appeal to the Board for reinstatement of its award of \$5,308,029. Should the Board approve the reinstatement of this award, the remaining funds would be reduced to \$11,033,472. The amount awarded by the Board will be determined at the November 10, 2010 Board meeting after consideration of this and any other pending appeals.

Any remaining funds are not committed on or before December 31, 2010, must be returned to the U.S. Treasury Department. This announcement describes the process by which TDHCA will allocate remaining Exchange Program funds. All of the requirements included in the original Policy and Policy Supplement remain in effect except as set forth herein. These superseding changes will be presented to the Board for ratification and relate chiefly to timing and prioritization. As in the original policy, Developments will be required to show that they are "shovel ready" and provide documentation of "good faith effort" to syndicate the original allocation of credits. Due to the limited time remaining, express requirements to be able to close and expend are as specified in this NOFA. Exchange pricing will remain as provided for in the originally approved Exchange policy and supplement. Staff will review and recommend awards to the Board based first upon an applicant's ability to close quickly and second based upon score compared to other rural and urban eligible developments.

Eligibility Requirements are as follows:

1. ***Applicants will be assigned priority as provided in this NOFA. Applicants must submit all required information by November 5, 2010, to have "Priority" consideration, and applications which are submitted after that date or, in the case of an incomplete application, are completed after that date will be considered on a first come, first served basis as long as funds remain available ;***
2. In order to meet the US Treasury's "30% incurred cost" test requirement, applications will only be considered eligible if they are an acquisition/rehab, or will be under construction by December 1, 2010, and in either case must provide sufficient information to show they are able to meet the US Treasury Department's 30% incurred cost test and exchange draws may not be funded until the 30% test has been certified as achieved;
3. Any necessary third party construction loan must be in place, or be able to close by December 1, 2010, and documentation from the lender to that effect must be submitted with the application;
4. Construction lender and the applicant's closing attorney must have previously closed on an Exchange transaction or otherwise demonstrate to the Department's reasonable satisfaction that unfamiliarity with the Exchange program and documents will not present a risk of delay in closing;
5. Any other subordinate lenders must have already closed their loans/obligations or be able to close on or before December 1, 2010, and documentation from the lender to that effect must be submitted with the application;
6. ***Exchange transactions must be able to be fully closed by December 1, 2010. TDHCA will not close "into escrow" on these transactions. This deadline is a firm deadline and is not anticipated to be extended;***
7. Development Owners must be able to prove up adherence to the 30% test prior to closing and provide the required documentation showing they have met the test by the existing December 15, 2010, deadline;
8. Eligible transactions will be ranked by their level of application completeness and ability to close by December 1, 2010. Thereafter, transactions will be prioritized based on their At-Risk set aside status and then on their original allocation score. All rural transactions will be ranked and scored against all other rural transactions. All urban transactions will likewise be scored and ranked against all the other urban transactions;
9. If both urban and rural transactions are at the same level of readiness to proceed, allocation will be to the highest scoring rural transaction first, then to the highest scoring urban transaction and alternating in the same manner thereafter; and
10. Applicant must have an existing award of 2008, 2009 or 2010 housing tax credits.

Applications for the additional allocation of remaining TDHCA Exchange Program funding will be accepted via the Exchange FTP accounts until **12:00pm Friday November 5, 2010**; applications received

by this deadline will be given "Priority" status. Thereafter, applications received will be taken and considered on a first-come, first-served basis.

Exchange awards are anticipated to be awarded by the TDHCA Board of Directors at the November 10th Board meeting. Thereafter, awards will continue to be awarded by the TDHCA Executive Director as deemed necessary.

Attached is the original TDHCA 1602 Exchange Policy and Supplement Policy, both of which will be adhered to with the exception that all transactions must close on the Exchange transaction on or before December 1, 2010, and must meet the U.S. Treasury Department's 30% Test requirement by the existing deadline of December 15, 2010.

For questions or concerns with the preceding information, please contact the TDHCA Exchange Administrator, Teresa A. Shell at 512.936.7834 or teresa.shell@tdhca.state.tx.us.

DISASTER RECOVERY DIVISION

**BOARD ACTION REQUEST
November 10, 2010**

Recommended Action

Approve requests for amendments to housing contracts administered by TDHCA for CDBG Hurricane Ike/Dolly Round 1 Funding for CDBG Disaster Recovery Contract Nos. 70090001, City of Houston; 70090005, Montgomery County; and 70090014, Galveston County.

RESOLVED, that the Executive Director and his designees are hereby authorized, empowered, and directed, for and on behalf of the Department, to cause the amendments, in the form presented to this meeting, to be executed and delivered to the City of Houston for Disaster Recovery Contract No. 70090001, Montgomery County for 70090005, and Galveston County for 70090014 as presented to this meeting, and to make such non-substantive technical corrections as they may deem necessary to effectuate the foregoing.

Background

The City of Houston (City) is requesting an extension to their contract for sixteen months from August 2, 2011 to December 2, 2012. Montgomery County is requesting to use a portion of their funds allocated under their Homeowner Assistance program to be used for temporary relocation activities. Galveston County is requesting an increase to the maximum allowable assistance amount for reconstruction activities for households located in flood zones.

City of Houston 70090001

The City of Houston's Housing and Community Development Department (HCDD) is requesting a contract extension for Contract No. 70090001. The request extends the contract end date from August 2, 2011 to December 2, 2012. The extension is requested to time for the City to obligate and expend funds under their multi-family rental projects funded with disaster recovery funds. The City of Houston's contract with TDHCA for the CDBG Disaster Recovery funds reserved \$60.5 million for rehabilitation of multifamily rental developments. The City has obligated funds and construction is underway for the repair and rehabilitation of 7 multi-family communities (2015 units).

Project name	CDBG award amount	Closing date	Anticipated completion date
Reserve at Creekbend	\$5,475,000	1-19-2010	Jan-2011
Hollyview Apartments	\$8,020,000	3-30-2010	Jun-2011
Reed Parque Townhomes	\$1,317,585	4-6-2010	Feb-2011
Catalina Apartments	\$10,315,816	4-21-2010	Dec-2011
Sterling Grove	\$11,943,067	5-24-2010	Dec-2011
Vista Bonita	\$1,730,000	5-19-2010	Dec-2011
Premier on Woodfair	\$6,830,937	7-9-2010	Dec-2011
Skyview at Palm Center	\$1,433,924	(not closed)	
Unobligated	\$13,456,116		
Proposed: Linda Vista	\$12,500,00		
Total	\$60,522,445		

The additional sixteen months will allow Houston to obligate and disburse the remaining unobligated funds set aside for affordable rental projects. Over \$13 million remains to be allocated under Houston's Ike 1 Rental Recovery funds. The city is reviewing an application for the rehabilitation of a rental community with over 500 units of substandard housing. Given the available funding, the applicant has reduced the number of units to be served. It is anticipated that it will take 18 months to complete construction. With the current economic climate, there have been several challenges which have caused delays in the owner's ability to raise additional capital for the project. Due to storm damage and deferred maintenance, the property is only 35% occupied.

Two of the seven projects awarded disaster recovery rental program funds also received Tax Credit Exchange funds from the Agency. The projects with tax credit exchange funds are not scheduled to be complete until December 31, 2011 which is about five months beyond the current contract end date of August 2, 2011. Houston anticipates that these additional five months will be necessary for construction completion of these two developments.

Project name	Construction state date	Construction end date for Exchange
Premier at Woodfair	7-16-2010	12-31-2011
Vista Bonita	6-1-2010	12-31-2011

Two additional projects identified below allocated CDBG disaster funds were delayed in their construction commencement dates. The actual start dates for construction was about 90 days later than identified in the initial construction contract. The delay in construction start date is anticipated to extend the project completion date to December 2011.

Project name	Construction start date	Actual start date	Anticipated completion date
Sterling Grove	5-24-2010	7-21-2010	12-2011
Catalina Apts	4-21-2010	8-9-2010	12-2011

The proposed extended deadline of December 2, 2012 will allow the City to post appropriate public notices, obtain City required approvals from City Council, and complete the rental development activities within the extended contract time frame.

Montgomery County 70090005

Montgomery County is proposing to amend Contract No. 70090005 to allow CDBG Disaster Recovery funds to be used to provide temporary relocation assistance for homeowners receiving reconstruction or new construction assistance under their Homeowner Assistance program. This amendment request will result in approval to allocate funds for these purposes; however no other revisions to the contract are necessary. The County is not requesting an increase to the maximum allowable assistance amount per households, and is not proposing to decrease the number of households to be served.

Galveston County 70090014

Galveston County is proposing to amend Contract No. 70090014 by increasing the reconstruction and new construction maximum assistance amount under their Homeowner Assistance program for households located in flood zones A and V from \$125,000 to \$145,000. If approved, Galveston County will only provide funding of up to \$145,000 for no more than 50 households where there is a unique combination of applicant needs.

Using average costs as a basis for analysis, homes that are larger than two bedrooms that need to be elevated more than 16 feet require assistance exceeding \$125,000 to accommodate additional costs related to elevation such as lifts and higher ramps, while still enabling the County to offer some assistance for insurance premiums. Additionally, any home that requires elevation and that must meet Uniform Federal Accessibility Standard (UFAS) requirements will require funding above the current maximum of \$125,000. Costs that will typically cause a home to exceed the current maximum limit of \$125,000 are funds reserved for the unexpectedly high costs of insurance, and costs related to ramps or lifts when the home must be elevated over 16 feet, especially for homes that will meet UFAS standards.

The homes that are projected to receive assistance as a result of the increase will be located in the A and V zones on floodplain maps, such as Bolivar Peninsula and the low lying areas of the County.

The County is not currently projecting that the number of households to be served will be decreased. The number of applicants that will benefit from raising the cap will be no more than 50 households that will otherwise be unable to access this program.