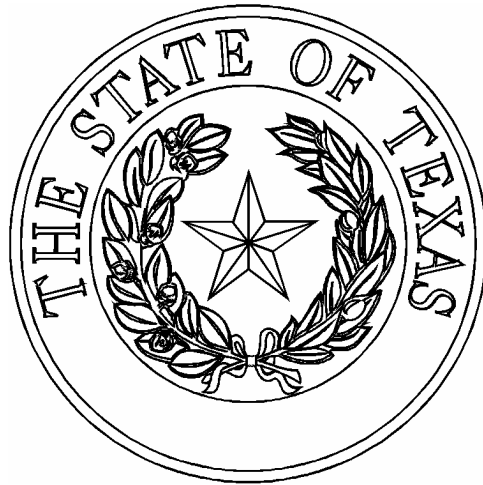


December 6, 2002

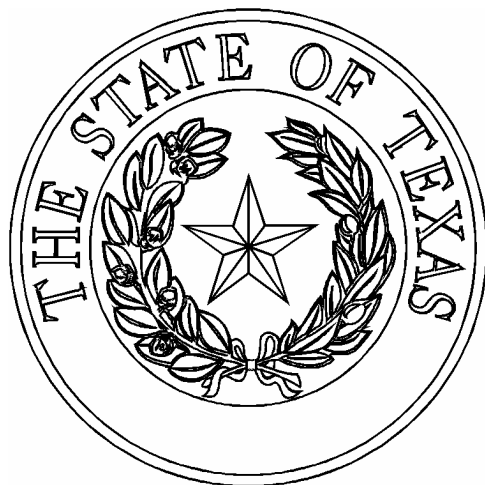


TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING OF DECEMBER 17, 2002

Michael Jones, Chair
C. Kent Conine, Vice-Chair

Beth Anderson, Member Shadrick Bogany, Member
Vidal Gonzalez, Member Norberto Salinas, Member



MISSION

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

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

DECEMBER 17, 2002

ROLL CALL

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

_____, Presiding Officer

02-446 Southern Oaks, Dallas
City of Dallas HFC is Issuer
02-456 Primrose SA II, San Antonio
Bexar County HFC is Issuer
02-457 The Park at Kirkstall, Houston
Harris County HFC is Issuer

b) Approval of Requests for Extensions for Commencement of Construction for:

01-002 La Vista Townhomes, Del Rio
01-004 Fulton Village Apartments, Houston
01-005 Chaparral Townhomes, Allen
01-011 Oak Timbers-White Settlement Apartments, White Settlement
01-032 Cantibury Pointe Apartments, Lubbock
01-034 Stonegate at Alvin Apartments, Alvin
01-051 Eldorado Village, Brownsville
01-057 Timbercreek Apartments, Dallas
01-058 Highland Gardens Apartments, Harlingen
01-063 Science Park Seniors, San Antonio
01-064 O'Connor Road Seniors, San Antonio
01-078 Rancho de Luna Apartments, Robstown
01-121 Main Street Townhomes, Paris
01-149 Clark's Crossings Apartments, Laredo

01-037 Bachon Townhomes, Wylie

01-050 Ewing Villas, Dallas

01-076 Laurel Point Senior Apartments, Houston

01-077 Bell Oaks Village II Apartments, Bellville

01-108 Logan's Pointe, Mount Vernon

01-111 Village at Meadowbend Apartments, Temple

01-143 Laredo Vista Apartments, Laredo

01-148 Cedar Point Apartments, Mansfield

Item 6 Presentation, Discussion and Possible Approval of Resolution No. 02-071
Regarding Amendment for Signature Authority

Michael Jones

REPORT ITEMS

Executive Directors Report

Edwina Carrington

Manufactured Homes in Colonias

Sunset Report

Issue 1 - TDHCA Letter of Support

Proposed Draft Amendments to Texas Government Code, Chapter 2306

Project Access Update

Revised Organization Chart

EXECUTIVE SESSION

Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – (1) *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District;

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501c(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A;

Personnel Matters – Discussion and Possible Approval of
Performance Evaluation for the Executive Director Under
Sec. 551.074, Texas Government Code
The Board may discuss any item listed on this agenda in Executive Session

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Michael Jones

ADJOURN

Michael Jones
Chair of Board

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.

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

AGENDA ITEM NO. 1

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Capitol Extension Auditorium, 1400 North Congress, Austin, Texas 78701
November 14, 2002 10:00 a.m.

Summary of Minutes

CALL TO ORDER, ROLL CALL

CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of November 14, 2002 was called to order by Chair Michael Jones at 10:15 a.m. It was held at the Capitol Extension, 1400 North Congress, Austin, Texas. Roll call certified a quorum was present.

Members present:

Michael Jones -- Chair

C. Kent Conine -- Vice-Chair

Vidal Gonzalez -- Member

Elizabeth Anderson -- Member

Shad Bogany -- Member

Norberto Salinas -- Member

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

Mr. Jones introduced several guests in the audience and these were State Representative Bill Callegari, Julie Street from the Urban Affairs Committee, Stacy Gunkle from the Lt. Governors Office, State Representative Art Reyna, and Tim Thetford from State Representative Ehrhardts Office.

Ms. Carrington introduced Mr. D. Gary Longaker as he is the new Deputy Executive Director of Programs for the Texas Department of Housing and Community Affairs.

ACTION ITEMS

(1) Presentation, Discussion and Possible Approval of Minutes of the Board Meeting of October 10, 2002

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the minutes of the October 10, 2002 Board Meeting.

Passed with 5 ayes and 1 abstention (Mr. Jones abstained as he was not in attendance at the October 10, 2002 Board Meeting)

PUBLIC COMMENT

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

Mr. Jones called for public comment and the following gave comments.

Cloy Richards, City Manager, Merkel, Texas

Ms. Richards represented the Association of Rural Communities in Texas and wanted to advise the TDHCA Board what ARCIT's plans were for the 78th Legislative Session. She stated they will notify their membership of needed action and ask for input regarding pending legislation as it relates to ORCA. They will watch bills closely that are affecting TDHCA and will have people who will come to Austin to testify on legislation that is being discussed.

Brent Stewart, Trammell Crow, Austin, Texas

Mr. Stewart stated Trammell Crow has a request before the Board for approval of a multifamily bond issuance and resolution and a tax credit determination notice for the Greenland Park Townhomes. There is opposition to this development and he has been unable to convey to the Board his views on the issues raised by the opposition except through written correspondence due to the ex-parte rule. Trammell Crow has tried to develop affordable properties in areas where they have historically not been developed and has been successful in

many areas of Texas. He stated this development is consistent with the goal of dispersing affordable housing and ending concentration of affordable housing in generally low income areas.

Susan Maxwell, Texas Council for Developmental Disabilities, Austin, Texas

Ms. Maxwell thanked TDHCA for the help given in forging the partnership that was required in using the 35 vouchers from HUD. She acknowledged the commitment the Department has made in the plans for the tenant-based rental assistance for the Olmstead population and stated they supported the definition that will be presented at the next meeting for integration of people with disabilities into the regular population. They also support the Section 504 of the Rehab Act being included in the QAP.

Mr. Jones then re-ordered the agenda.

- (4) Presentation, Discussion and Possible Approval of Financial Items:**
- (c) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Greenland Apartments, Houston, Texas In an Amount not to Exceed \$15,000,000 and Other Related Matters**
- (5)(c) Approval of Issuance of Determination Notices to Tax-Exempt Bond Transactions with TDHCA as the Issuer:**

02443, Greenland Park Apartments, Houston, Texas

Ms. Carrington stated staff is recommending the proposed issuance of multifamily mortgage revenue bonds in an amount not to exceed \$15,000,000 for Greenland Apartments and also recommending the approval of a determination notice for Greenland Apartments. The department acknowledges the 600+ citizens who attended the public hearing held on this project. Staff also received letters from State Rep. Bill Callegari, State Senator John Lindsay, Congressman John Culberson and Leonard Merrill, Superintendent of Katy Ind. School District. The Departments legislation, and the QAP, state that the Department and the Board will consider public comment and that the comments will become a part of the record. The Department has considered that public comment and it is the Board's responsibility to carefully consider the proposal of the financing, public input, state policy, and the Department's purpose to provide decent, safe and affordable housing, and the fair housing principles of supporting dispersal and deconcentrated housing and working to educate the public to overcome stereotypical objections related to low income housing.

She further stated the Board must make its decision based on the merits of the housing proposal, in addition to considering the state policy of assisting low and very low income people who are not assisted by other government programs and affirmatively furthering fair housing by supporting dispersal and deconcentration of affordable housing. Staff believes the proposed development meets all of the mentioned criteria and staff is recommending to the Board that they approve the issuance of tax-exempt bonds in an amount not to exceed \$15,000,000 and the issuance of the 4% low income housing tax credits.

The Honorable Bill Callegari, State Representative, District 120, Harris County, Texas

Representative Callegari stated he was speaking in opposition to this project. Over 600 residents attended a public hearing and over 1800 signed a petition opposing the project. He had concerns on the location of the facility, the project will place an immediate burden on the Katy Ind. School District by adding about 200 students, and that the project could at some point be converted to a tax-exempt project, meaning exempt from local property taxes. In addition there are apartments in the immediate area with rates comparable or slightly less than these apartments. The project is isolated from other services and he felt the project could be better located.

Mr. Jones stated this board really listens to all comments and they very much appreciate all comment. The Board has a duty to do and the law tells them to provide for the housing needs of individuals and families of low, very low, extremely low income, and families of moderate income. State law says what they should do and federal law says that the Board has an obligation to further fair housing. This involves dispersing and decentralizing affordable housing and working to overcome NIMBY-ism.

Jan Crow, District Director for U.S. Congressman John Culberson

Ms. Crow stated Congressman Culberson is opposed to this project. She stated there have been many affordable housing projects built in West Houston where this project is being proposed to be built.

John Pendergraft, Attorney, Houston, Texas

Mr. Pendergraft stated he is an attorney who is representing the homeowner group against this project. Providing affordable housing to the low income levels in our society is a very commendable goal. The opposition to this project is on the specific market survey that was completed for this project and location.

Judith McGlaughlin, Market Analyst, Houston, Texas

Ms. McGlaughlin thanked the Board for the opportunity to speak on this project and she felt Trammell Crow has stated there is a significant unmet demand for low income housing in this market area and she felt the demand is not from new households moving into the area, but currently exists with the demographics that exist within the community. She felt that the absorption rates provided by the developer are not correct. She stated there is traffic congestion and location becomes a problem.

John Osborn, Vice President of Barkers Ridge Homeowners Assn., Houston, Texas

Mr. Osborn stated there are about 264 homes that are for sale below \$100,000 in the area near the proposed site of Greenland Apartments. He stated there is plenty of affordable housing in this area and the market study provided by Trammell Crow is an attempt to mislead the Board in order to win approval of the project.

LaDawn Weeks, Wood Fern Subdivision, Houston, Texas

Ms. Weeks stated the location is a bad one as it is dangerous because it is located next to a school and will increase traffic and be a hazard to children. The traffic in this area is barely manageable before and after school and the added traffic associated with the apartments would aggravate the problem. She further stated there is no shopping mall and no public transportation available as stated by Trammell Crow.

Jeff Bean, Homeowner, Houston, Texas

Mr. Bean stated his home is very close to the school and he was concerned about the safety with traffic problems and also that children need friends who are going to be there for long periods of time and not transient.

Phil Johnson, Homeowner, Houston, Texas

Mr. Johnson stated there is no bus service from this area and the shopping mall is actually about 4-6 miles further than what is stated in the market study provided by the developer.

Patrick Diver, Homeowner, Houston, Texas

Mr. Diver stated he was opposed to this project and there were no people in attendance at the hearings that were supporting the project. He asked the department to make sure the compliance reports provided by developers are accurate and complete to provide details for the board to make an informed decision. He felt this was not done in this case.

Kevin O'Dell, Homeowner, Westfield Estates, Houston, Texas

Mr. O'Dell stated this proposed complex isolates low income residents instead of helping people make the transition from an apartment resident to a homeowner. He stated affordable houses are available. He asked the Board to not segregate them into an apartment complex.

Steve Landrum, Center Point Energy, Houston Gas Operations, Houston, Texas

Mr. Landrum stated he is with the gas utility that serves the greater Houston area. He stated he was in attendance to add clarifying points to the comments that have been provided to the draft QAP for 2003. The comments centered on a need to look at a balance between cost efficiency and energy efficiency when setting standards for the energy saving devices through the threshold criteria. He asked the board when going forward to please consider or continue to consider the impacts on affordability of efficiency ratings.

Chris Bergmann, Developer, Trammell Crow Residential

Mr. Bergmann stated he believes Trammell Crow Residential is one of the finer development firms in the country. They have developed over 160,000 apartment units, of which about 8,000 units are of the affordable nature in four different states. He stated he feels strongly about this project and can refute everything the opposition has said about the project and have answered all their questions, and believes their market study meets and/or exceeds the requirements of TDHCA.

Mayor Salinas had questions about the number of people opposed to the project and was advised by Mr. Bergmann that no one at the hearing supported the project. Mr. Bergmann also advised that he has the property under contract and has expended money to get to this point in asking for approval of the project. Mr. Bergman also advised that they have letters from the Harris County Commissioners Court that state that the project is needed based on the Consolidated Plan of Harris County.

David Pallante, Market Study Analyst, Houston, Texas

Mr. Pallante stated he is the market analyst who prepared the study for this project. When he does market studies, he follows accepted guidelines established by the Texas Department of Housing and Community

Affairs. The methodology used is the use of newer properties in estimating market rent and this is an accepted methodology. The study he prepared was segregated by year of construction, by one-bedroom, two-bedroom and three-bedroom. He stated he uses a software program, Street Atlas, to determine how many miles it is to any one place, such as a shopping mall, bus transportation, etc. He did state this is as the eagle flies and to drive it would take longer.

Mr. Bergmann answered the question by Mr. Conine on social services and stated they use a program by the name of CARES and is run by Apartment Life.

Mr. Conine had questions about the location of the property being so close to a school and was advised by Mr. Bergmann that all their projects are fully fenced.

Mr. Pendergraft that he felt it is important to pay specific attention to the facts that are given. When one measures distance to amenities as the eagle fly, it is a lot straighter than to drive it in Houston traffic. He also felt the location near a school is a bad one for another apartment project.

Beth Anderson asked a question on meeting with homeowner associations and was advised by Mr. Pendergraft that Trammell Crow only contacted one association and not the others near the proposed building of the project.

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the issuance of multifamily revenue bonds for Greenland Apartments, Houston, Texas, in an amount not to exceed \$15,000,000 and the issuance of a determination notice for this project.

Mayor Salinas stated he was concerned about the citizen input being in opposition and there were so many people and groups opposed to the project that he was going to vote against it.

Beth Anderson stated she appreciated both sides of the presentations made at this meeting. Since she began serving on this board, this one project has between four and five times as much community opposition as any other project that the Board has had to vote on. The commentary around the market study leads her to have significant questions about the credibility of the market study, notwithstanding the articulate rebuttal by the market analyst. She further stated Trammell Crow is a very fine developer but was disappointed that not enough effort was given to outreach to the homeowners associations in the community. It was her intent to vote against this development.

Motion was restated:

Motion made by C. Kent Conine and seconded by Shadrick Bogany to approve the issuance of multifamily revenue bonds for Greenland Apartments, Houston, Texas, in an amount not to exceed \$15,000,000 and the issuance of a determination notice for this project.

Motion was defeated with Mr. Conine, Mr. Bogany and Mr. Gonzalez voting for the motion and Ms. Anderson, Mr. Salinas and Mr. Jones voting against the motion.

Mr. Jones stated the motion was defeated as it would take four votes to approve the motion and there were three votes each way.

- (6) Presentation, Discussion and Possible Approval of Low Income Housing Tax Credit Items:**
- (a) Approval of the Final 2003 Qualified Allocation Plan and Rules and Application Submission Procedures Manual for the Year 2003 Allocation Round for the Low Income Housing Tax Credit Program**

The Honorable Art Reyna, State Representative, Austin, Texas

Representative Reyna commended the Department staff for helping him understand an issue and working with him to make his constituents have a better community. There were two items under the QAP and one was the development ratio and the unequal treatment of QCTs. Staff has accepted his suggestion on the development ratio and has offered to review the treatment of QCTs for the 2004 QAP.

Ms. Carrington stated that there is one correction to the QAP under Section 49.9(f) and language needs to be added that is not in the QAP now. This is per the Internal Revenue Code and staff is proposing an addition under selection criteria that would better satisfy requirements under the Code and the requirement would state: "The selection criteria set forth in a qualified allocation plan must include, VII, Tenant populations of individuals with children". Staff is proposing language which would also state: "Developments targeting tenant populations of individual children, the rent schedule must show that 50 percent or more of the units in the development have two or more bedrooms, and that they be given one point for that".

Staff is recommending to the Board to reinstate the four-bedroom units as an eligible building due to a large volume of public comments received. She stated staff is also proposing restrictions on building in the floodplain under Section 49.6(a); limitation on size of developments and to eliminate the cap at 76 units; Threshold criteria for Section 504 is in the QAP for new construction and for rehabilitation; Mixed income points are back in; correction on the chart reflecting 60% of AMGI which should say "includes" and not "excludes" (on page 37).

Bobby Bowling, Tropicana Building Corporation, El Paso, Texas

Mr. Nolan stated he felt the QAP is getting better and better every year. It is less subjective and more objective and felt that the preapplication points would encourage developers to get their applications in quickly and be as complete as possible.

Diana McIver, McIver & Associates, Austin, Texas

Ms. McIver thanked the Board for listening to everyone's comments and complimented the staff on the work done on the 2003 QAP. She asked that stucco be included in the definition of masonry as it has been removed from the proposed QAP and asked that the developer have to show proof that an application has been submitted to the HOME Program or CDBG to get those points.

Brooke Boston replied that according to costing methodologies that the Department uses it reflects that stucco is a much cheaper material and TDHCA did not feel like it gives that added benefit needed.

Carlos Herrera, El Dorado Housing, Dallas, Texas

Mr. Herrera complimented the Board and staff for all the fine work they are doing and for the continuing improvement efforts made on the QAP.

Michael Sugrue, Simpson Housing Solutions, Plano, Texas

Mr. Sugrue stated that as part of the threshold criteria in the 9% awards that there should be a limitation on the amount of fee to be deferred, exempting rural and bond deals.

Barry Kahn, Kahn Holdings, Inc., Houston, Texas

Mr. Kahn stated they have been active developers in the 9% credit program and felt the limitation for an applicant is prohibited when deferring more than 50% of the developer fee and needs to be put back in the QAP as a threshold test.

Les Kilday, LIHTC Developer, Houston, Texas

Mr. Kilday commended staff on the work done on the QAP. He asked that the three-day window to make changes to correct administrative deficiencies should be changed to five days. He also felt that the 5% variance on pre-app points vs. application points is too low. He asked that the affordable housing needs scoring component should be addressed in the 2004 QAP and not this one.

Albert Magill, Developer, Houston, Texas

Mr. Magill commended staff on the QAP for 2003 as there was a lot of thought given and input from developers, financiers, etc. and it was very helpful. He asked that the energy conservation items that are a threshold be moved to a point item. He felt the current zoning rules are adequate.

Julie Street, House Committee on Urban Affairs, Austin, Texas

Ms. Street stated she was attending the meeting on behalf of Chairman Bill Carter and read a statement from him into the record:

"Chairman Jones and TDHCA Board members, I would like to begin by stating how impressed I've been with TDHCA's performance in the previous year. The improvements that this state agency has recently implemented are admirable, especially in programs such as the Low Income Housing Tax Credit Program. I would like to personally thank this Board for the work they have done in making TDHCA a strong force in the provision of affordable housing to Texans with low and moderate incomes. The Low Income Housing Tax Credit is a powerful tool for the creation of affordable housing in Texas and across the nation. It is a primary means of directing private capital toward the creation of affordable rental housing. And I appreciate your allowing me to comment on the 2003 Qualified Allocation Plan and rules governing this program.

It has been brought to my attention that the TDHCA staff recommendations to the Board on the 2003 draft QAP do not include the following recommendation made by the Texas Affiliation of Affordable Housing Providers, TAAHP, on October 23, 2002. For a quick reference, this recommendation is as follows and I'm just going to paraphrase that down. Recommend adding use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 for three points. I am particularly disappointed that the staff did not choose this to recommend awarding points for the use of energy efficient alternative construction materials in the QAP. Including a point reward would encourage developers to offer a considerable savings and long-term benefits to multifamily housing residents. TAAHP is an organization representing a broad array of industry members, including nonprofits, for-profits, investors, lenders, management companies, architects, market analysts, accountants, lawyers, financial advisors, and other housing associations. TAAHP had two QAP open panel discussion at its 2002 conference in Austin, and also held a QAP workshop in Houston to formulate recommendations. TAAHP incorporated their recommendations received in some of the draft recommendations to all members, as well as other interested housing proponents, including my office, for comment.

This organization received no opposition to its recommendation for additional QAP points in order to encourage the use of energy efficient building materials nor any opposition to the unit amenities recommendation as a whole. Modern construction technology allows for better insulation and efficiency standards, making it easier for low income families to afford heating and cooling their homes. Furthermore, these materials offer long-term sustainability and reduced maintenance and upkeep costs. Energy efficient building techniques also offer safety benefits of storm, wind, and fire protection superior to that of traditional building techniques. Beginning in 2000 electric utilities in Texas began implementing energy efficiency programs under the Public Utility Commission, PUC, Substantive Rule 25.181, which implemented Senate Bill 7 of the 76th Legislative Session.

In addition, Senate Bill 5 of the 77th Legislative Session sets out a number of energy efficiency mandates, including adoption of the Energy Building Code and the Energy Efficiency Grant Program under PUC's Substantive Rule 25.182. Beyond the above-mentioned benefits of long-term affordability and sustainability energy efficient alternative building materials will help the State of Texas reach its goal of increasing the level of energy efficiency and reducing the demand for energy as laid out in various legislative mandates. As you may know I have made affordable housing a priority during my term in office. I consider quality affordable housing which incorporates energy efficient construction methods a basic necessity for housing programs sponsored by TDHCA. There's no doubt in my mind that energy efficient building materials contributes to the long-term affordability of a residence. I urge the Board to consider awarding low income housing tax credit points to encourage smart forward-thinking energy efficient affordable housing, and respectfully request that the Board include additional points for energy efficient alternative construction materials into the 2003 QAP. Sincerely, Truman Carter."

John Garvin, Executive Director, TAAHP, Austin, Texas

Mr. Garvin stated TDHCA went beyond the call and presented a very open and participatory process in the QAP. He stated they would like to have the amenity package, 49.9(f)(4)(d) put back in the QAP and also they supported the inclusion of stucco as masonry. They concurred with the HOME and Hope VI points for funding proof and asked that the cap of credits per applicant be reconsidered. He asked that in the future a tiered public comment process be done.

Larry Paul Manley, Attorney, Austin, Texas

Mr. Manley stated the heavy concentration areas on the 5 point reduction will help disperse the credit and asked that the Board give this suggestion a try. He suggested that the highest point total for support from local people, congress members, etc. be reversed as more points should be given to receiving support from local officials and then tier down to less points for support from Washington, DC, etc.

Mr. Conine had questions on supplemental funding and was advised by Ms. Carrington that this gives developers two more months as it allows for different timing on funding cycles that would not be under the control of TDHCA.

On the targeting issues for points for being below voluntarily, Ms. Boston advised Mr. Conine that each exhibit is serving a different purpose and this is trying to get down to lower income rents. On the insulated panels getting scoring, Ms. Boston stated there was no danger in giving points to this item. On the right of first refusal, Ms. Boston advised that this is required under Section 42 and TDHCA can not change that.

The housing needs score is being generated by the Housing Resource Center and Mr. Conine had concerns on defining geographic area as a city within the housing needs and if it could be fine-tuned a little into a smaller geographic region other than the boundaries of a city.

Ms. Boston advised that this could be reviewed for the 2004 QAP.

Mr. Bogany had questions on the concerns of the public feeling that on Section 49(6)(d), it would keep new developers from participating in the program and was advised by Ms. Boston that during the awards cycle this year, there was controversy about the \$1.6 million test and that there were people behind deals that were violating the law. To better capture who is behind the deals to not have that happen again, TDHCA expanded this to developers and anyone guaranteeing the financing on the transaction for a fee.

Mr. Bogany and Ms. Anderson had questions in regards to the 50% paid developer fee requirement and was advised that this has been removed from the proposed QAP.

Mr. Gouris stated that the test in the draft rules is a test of 15-year repayment at 0%. This test is a little liberal compared to what most would use but this was done to have more projects getting awards. Ms. Boston stated that if this is put back in the QAP, that it be added to threshold or to the underwriting rule and not scoring.

Motion made by Shad Bogany to put back in unit amenities, (lighting package and energy-saving part, kitchen package) and to include stucco.

Ms. Anderson asked that Chairman Carters language around the energy efficient alternative construction materials be added and Mr. Bogany accepted that to his motion.

Mr. Conine asked to amend the motion just to include the energy efficient alternative constructions, which is the structurally insulated panels and the stucco.

Amendment to the motion made by C. Kent Conine and seconded by Beth Anderson to include the energy efficient alternative constructions - structurally insulated panels.

Passed Unanimously – Motion to amend the motion passed

Revised motion made by Shad Bogany and seconded by C. Kent Conine to add the amendment just approved on energy efficient alternative constructions – panels.

Passed Unanimously

Motion made by Shad Bogany and second by Norberto Salinas to add stucco back in but eliminate EFIS.

Passed Unanimously

Motion made by C. Kent Conine and seconded by Norberto Salinas on Section 49(d), any development having units with four or more bedrooms, to add any single family development having any units with four or more bedrooms.

Passed Unanimously

Motion made by C. Kent Conine and seconded by Shad Bogany to eliminate the scoring potential, the 12 points, for rents below maximum tax credit rents.

Passed Unanimously

Motion made by C. Kent Conine and seconded by Beth Anderson under Section 49(g) to switch number 1 and number 2 which would make the first criteria that staff would look at would be to ensure geographic dispersion and the second one would be the greater number of low income families for fewer credits.

Since General Counsel Chris Wittmayer advised that the Board could be violating laws if they passed this motion, the motion was withdrawn by Mr. Conine.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the amended 2003 QAP.

Passed Unanimously

Ms. Carrington stated that as part of the QAP, the Board is asked to approve the Application Submission Procedures Manual as it accompanies the QAP.

Motion made by Norberto Salinas and seconded by Shad Bogany to approve the Application Submission Procedures Manual.
Passed Unanimously

(b) Approval of Authorization to the Executive Director to Allocate Any Returned Credits that are returned After November 7, 2002 Without Returning for Board Approval

Ms. Carrington stated staff is requesting approval for any credits that are returned to the Department between now and the end of the year. She recommended that instead of returning to the Board to get approval for awarding of credits to the waiting, that the Board approves administratively any return in credits that TDHCA could reallocate to those on the waiting list that have already been approved by the Board at a previous meeting.

Motion made by Shad Bogany and seconded by Norberto Salinas to authorize the Executive Director to allocate any returned credits that are returned after November 7, 2002 without returning for Board approval.

Cynthia Bast, Locke, Liddell and Sapp, Austin, Texas

Ms. Bast stated this is a very important use for the efficient use of the tax credits returned before the end of the year and Investment Builders is on the waiting list and are ready to go with their projects on the waiting list so she asked for approval of the item.

Amendment to the motion made by C. Kent Conine and amendment to that amendment made by Beth Anderson to advise the Board by e-mail when projects fall off so the Board members know who will be getting the credits (All were accepted by the maker of the original motion, Mr. Bogany, and Mr. Salinas who seconded the motion)
Passed Unanimously

(c) Approval of Issuance of Determination Notices to Tax-Exempt Bond Transactions with TDHCA as the Issuer:

02443, Greenland Park Apartments, Houston, Texas

02444, Woodway Village Apartments, Austin, Texas

Motion made by Shad Bogany and seconded by Norberto Salinas to approve 02-444, Woodway Village Apartments, Austin, Texas for a determination notice for \$627,152 in tax credits.

Passed Unanimously

At this time, Shad Bogany left the meeting and did not return.

(d) Approval of Issuance of Determination Notices to Tax-Exempt Bond Transactions with Other Issuers:

02445 Saddlebrook Apartments San Antonio, Texas

Bexar County HFC as Issuer

02451 Gates of Capernum Apartments San Antonio, Texas

Bexar County HFC as Issuer

02455 Sanger Trails Apartments Sanger, Texas

Denton County HFC as Issuer

Ms. Carrington stated that staff is recommending \$577,674 in tax credits for Saddlebrook Apartments, No. 02-445; \$565,027 for Gates of Capernum Apartments, No. 02-451; and \$444,126 for Sanger Trails Apartments, No. 02-455.

Motion made by Norberto Salinas and seconded by C. Kent Conine to approve \$577,674 in tax credits for Saddlebrook Apartments, No. 02-445; \$565,027 for Gates of Capernum Apartments, 02-451; and \$444,126 for Sanger Trails Apartments, 02-455.

Passed Unanimously

(e) Approval of Requests for Extensions for Commencement of Construction for:

01025, Residences of Diamond Hill, Ft. Worth, Texas

01069, Northstar Apartments, Raymondville (Willacy County), Texas

01073, Greens on Turtle Creek, Port Arthur, Texas

01144, Corinth Autumn Oaks, Corinth, Texas

01152, Parkway Senior Apartments, Pasadena, Texas

01162, Town Park Townhomes, Houston, Texas

Ms. Carrington stated that Residences of Diamond Hill and Greens on Turtle Creek have been pulled from the agenda. Staff is recommending the extension for commencement of construction to February 28, 2003 for Northstar Apartments. Staff is recommending the extension for commencement of construction to March 11, 2003 for Autumn Oaks at Corinth Apartments. Staff is recommending the extension for commencement of construction to January 25, 2003 for Parkway Senior Apartments.

Motion made by Beth Anderson and seconded by C. Kent Conine to approve the extensions for commencement of construction for Northstar Apartments to Feb. 28, 2003; for Corinth Autumn Oaks to March 11, 2002; and for Parkway Senior Apartments to January 25, 2003.

Passed Unanimously

Bob Sherman, Developer, Northstar Apartments, Dallas, Texas

Mr. Sherman stated that at the October Board meeting, he asked for an extension to the loan closing date. They did get a very difficult closing accomplished on a HUD221(d)(4) loan near the end of October. He felt that February 28, 2003, extension date now being recommended will not be reached so they have asked for an extension date later than February 28, 2003.

Ms. Anderson asked the development community to submit their requests on time.

**(f) Approval of Request for Extension of Closing of Construction Loan and Extension for Commencement of Construction for:
01027, Springdale Estates, Austin, Texas**

Ms. Carrington stated this is a request for two extensions – one for closing of a construction loan to January 31, 2003 and another one for the extension of commencement of construction to April 1, 2003.

Motion made by C. Ken Conine and seconded by Norberto Salinas to approve the extensions for Springdale Estates, Austin, Texas for the closing of a construction loan to January 31, 2002 and for the extension of commencement of construction to April 1, 2003.

Passed Unanimously

**(g) Approval of Request to Increase the Amount of Tax Credits for a Tax-Exempt Bond Transaction known as:
00028, Southwest Trails, Austin, Texas**

Ms. Carrington stated this is a request for an additional allocation of credits for Southwest Trails in the amount of \$19,576.

Motion made by Norberto Salinas and seconded by Beth Anderson to approve the additional \$19,756 for 00028, Southwest Trails, Austin, Texas.

Passed Unanimously

**(2) Presentation, Discussion and Possible Approval of Report from the Audit Committee:
Status Report on Central Database Project
Status Report on LIHTC Construction Inspection Fees Receivable
Status Report on Prior Audit Issues**

Mr. Gaines stated the Audit Committee met earlier in the day and discussed the Central Database project. Current plans and future plans for this project were also discussed.

The status of the LIHTC construction inspection fees project was discussed. There is approximately \$100,000 still due to TDHCA and each of the projects in that balance has been associated with, should be investigated to ensure accuracy.

The Audit Committee also discussed the prior audit issues and the discussion centered primarily on a recent initiative by TDHCA providing HUD with a comprehensive status update on all outstanding HUD issues.

**(3) Presentation, Discussion and Possible Approval of Board Policy on:
a) Resolution No. 02-056 - Separation of Board and Staff Responsibilities
b) Resolution No. 02-057 - Rulemaking Procedures and Public Input**

Ms. Carrington stated Resolution No. 02-056 concerns the separation of responsibilities which states the board shall develop and implement policies that clearly separate the policy-making responsibilities of the Board and the management responsibilities of the director and staff of the department.

Motion made by Beth Anderson and seconded by Vidal Gonzalez to approve Resolution No. 02-056, separation of Board and staff responsibilities.

Passed Unanimously

Ms. Carrington stated Resolution No. 02-057 addresses rule-making procedures of the LIHTC program and the Multifamily Housing Revenue Bonds and requested approval of the resolution.

Motion made by Beth Anderson and seconded by Vidal Gonzalez to approve Resolution No. 02-057, rulemaking procedures and public input.

Passed Unanimously

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

(a) Approval of Resolution Approving Documents Relating to the Issuance of Residential Mortgage Revenue Bonds Series 2002A, Series 2002B, and Series 2002C and Other Related Matters

Ms. Carrington stated this resolution would approve documents relating to the issuance of Revenue Mortgage Revenue Bonds, Series 2002A, B, C and other related matters.

Don Currie, Exec. Director, Community Development Corporation, Brownsville, Texas

Mr. Currie stated he was a lender under the Mortgage Revenue Bond Program and he felt he is probably the biggest lender to families who are below 60% of the median income. He had 2 issues of concern: (1) to access the loan servicing data. His organization would like to have access to the individual loan payment aging data on all loans originated under the TDHCA bond programs and delivered to them by the master servicer of the Department. He was informed by the master servicer that they were not able to release any aging data due to privacy issues. He asked the department to require its master servicer to provide the department or the originating lender within 10 days of delinquency with aging information on loans that are 30, 60 and 90 days in arrears. These should be identified by originating lender, customer name, property address and arrears for all loans delivered under the bond programs and under subsequent TDHCA bond programs; and (2) the delivery of Section 8 home ownership loans. He stated the department has the ability to develop and implement a HUD Section 8 home ownership program. This allows a public housing resident under certain conditions to obtain Section 8 vouchers that might be used to assist the family in making the monthly mortgage payment on a home. He asked TDHCA to include the Section 8 vouchers in the Mortgage Revenue Bond programs.

Ms. Carrington stated she will have staff review the problem with the master servicer and she will report back to Mr. Currie on this problem. She stated TDHCA has been reviewing the Section 8 home ownership issue, and she will report on this at a later meeting.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the documents relating to the Issuance of Residential Mortgage Revenue Bonds Series 2002A, Series 2002B, and Series 2002C.

Passed Unanimously

(b) Approval of Investment Banking Team for the Sale of Residential Mortgage Revenue Bonds Series 2002A, Series 2002B and Series 2002C and Other Related Matters

Ms. Carrington stated staff is recommending the investment banking team for the sale of the bonds composed of:

Senior Manager	Bear Stearns & Company
Co-Senior Manager	USBanCorp Piper Jaffrey
Co-Managers	Lehman Brothers
	Morgan Keegan
	Estrada Hinojosa

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the team of: Senior Manager, Bear Stearns & Company; Co-Senior Manager, USBanCorp Piper Jaffrey; Co-Managers, Lehman Brothers, Morgan Keegan and Estrada Hinojosa.

Passed Unanimously

(d) Approval of Proposed Issuance of Multifamily Mortgage Revenue Bonds for Woodway Village, Austin, Texas in an Amount not to Exceed \$9,100,000 and Other Related Matters

Ms. Carrington stated staff is recommending the issuance of Multifamily Mortgage Revenue Bonds for Woodway Village, Austin, Texas in the amount of \$9,100,000. This project will have 160 units.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the issuance of Multifamily Mortgage Revenue Bonds for Woodway Village, Austin, Texas in an amount of \$9,100,000.

Passed Unanimously

(e) **Approval of Rehabilitation Loan in the Amount of \$1,000,000 to be Made for the Cedar Ridge Apartments, Dayton, Texas Under the Multifamily Housing Preservation Incentives Program and Other Related Matters**

Ms. Carrington stated staff is recommending the rehabilitation loan in the amount of \$1,000,000 for Cedar Ridge, Dayton, Texas.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the rehabilitation loan in the amount of \$1,000,000 for Cedar Ridge.

Passed Unanimously

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

(a) **Approval of Payment Standards for Section 8 Program for Fiscal Year 2003**

Ms. Carrington stated that TDHCA is the public housing agency for the purpose of administering the Section 8 program. TDHCA is required to develop a payment standards schedule that establishes the voucher payment standard amounts for each fair market rent area in the TDHCA jurisdiction.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the payment standards for the Section 8 program for FY2003 and to grant authorization to the Executive Director to go to HUD if TDHCA felt it was necessary to ask for permission to go to 120% of fair market rents.

Passed Unanimously

(b) **Approval of Final 2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines**

Motion made by C. Kent Conine and seconded by Norberto Salinas to table this item until the next meeting.

Passed with 4 ayes, 1 no (Mr. Gonzalez)

REPORT ITEMS

Executive Directors Report

Manufactured Homes in Colonias

Sunset Visit

There were no report items given.

EXECUTIVE SESSION

The Board may discuss any item listed on this agenda in Executive Session

Mr. Jones stated: "On this day, November 14, 2002 at the regular Board Meeting of the Texas Department of Housing and Community Affairs held in Austin, Texas, the Board adjourned into a closed executive session, as evidenced by the following: The Board of Directors will begin its executive session today, November 14, 2002, at 4:50 pm. The subject matter of this executive session deliberation is as follows: Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – (1) *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District; Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501c(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A; (2) Lakeside Village Apartments, 2000 Low Income Housing Tax Credit Extension and discussion of any item listed on the Board meeting agenda of even date. At 4:50 pm the Board recessed into closed executive session.

The Board returned to Open Session at 5:20 pm.

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Mr. Jones stated: The Board has completed its executive session of the Texas Department of Housing and Community Affairs on November 14, 2002 at 5:20 pm. The subject matter of this executive session deliberation was: Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – (1) *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court

of Travis County, Texas, 53rd Judicial District, Action taken none; Consultation with Attorney Pursuant to Sec. 551.071(2) Texas Government Code - (1) 501c(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A, Action taken, none; (2) Lakeside Village Apartments, 2000 Low Income Housing Tax Credit Extension, Action taken, none; and discussion of any item listed on the Board meeting agenda of even date, Action taken, none. I hereby certify that this agenda of the executive session of the Texas Department of Housing and Community Affairs was properly authorized pursuant to 551.103 and 2306.056 of the Texas Government Code, posted at the Secretary of State's office seven days prior to the meeting pursuant to 551.044 of the Texas Government Code, and that all members of the Board were present, with the exception of Shadrick Bogany, and that this is a true and correct record of the proceedings pursuant to the Texas Open Meetings Act, Chapter 551, Texas Government Code."

ADJOURN

Motion made by Beth Anderson and seconded by Vidal Gonzalez to adjourn.
Passed Unanimously

The meeting adjourned at 5:22 pm.

Respectfully submitted,

_____, Board Secretary

p:dg/bdminov

AGENDA ITEM NO. 2

EMERGENCY NUTRITION TEMPORARY EMERGENCY RELIEF PROGRAM ENTERP PROGRAM SUMMARY

- **ENTERP** was created by the 68th Texas Legislature in 1983 (H.B. 1732) because: of the rapid increase in the number of needy persons who are homeless or without other necessities of basic existence; local governments and nonprofit organizations were unable to meet the increased needs; and the dramatic nature of the emergency needs contributed to social and economic instability in Texas. The Legislature created ENTERP to provide state money to match local and any federal money available to provide emergency relief to needy persons.
- **PURPOSE** is to assist counties by providing state funds to match local and federal funds for providing emergency assistance to needy persons.
- **FUNDS** are offered first to each county commissioner's court. The court may choose to deliver ENTERP services in their county or to designate a nonprofit in their area to deliver services. This designation will remain in place until the county decides to change the administering entity. The Department will approve only one program for each county. In many instances, a single nonprofit may deliver ENTERP services in multiple counties. The funding source for ENTERP includes General Revenue and Oil Overcharge funds.
- **ALLOCATIONS** are based on poverty and unemployment in each county. No county will receive less than \$1,000 from either of the funding sources.
- **SERVICES** include: food (mass feeding and family and individual food assistance); housing (mass shelter, or emergency rent or mortgage assistance); utility assistance; clothing assistance; and other services that are integral to the contractor's plan to provide emergency assistance, such as medical services or transportation assistance. **Oil overcharge funds may be used only to provide short term energy-related services.**
- **CLIENT ELIGIBILITY** must include an income requirement that may be no less than 75% of the federal poverty level in effect at the time the plan is approved or the contract is renewed. Other eligibility requirements may be imposed locally.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

**Preservation Incentives Program
Source: 2002 Junior Lien Proceeds**

PROJECT INFORMATION

Project: Cameron Associates Apartments
Applicant: Cameron Associates
Principals: Warren Maupin, Jr., Gary Becker, Ken Ethridge
City/County Location of Project: Cameron, Milam County
Construction Date: 1980 and 1982
Activity: Rehabilitation
Total # Units in Project: 56 Total Units
Existing Affordable Use Restrictions: USDA, Rural Development Section 515 Loan occupancy restrictions for low- to moderate-income families. Affordability requirements expire in 2018.
Existing Loan: \$978,000 (approx.) outstanding, maturing in 2033.

LOAN TERMS

Award Amount: \$852,240
Construction Period: 1 Year
Interest Rate: 0.00% during construction; 1.00% beginning at amortization.
Loan Term: 30 Years. Amortization over 32 years begins one year after closing. Balance is due at end of term.
TDHCA Lien Position: Parity with existing USDA debt.
Commitment Fee: 1% of Loan Amount
Escrows: Provisions will be made for the escrow of tax and insurance payments.
Prepayment: No prepayment restrictions.
Guarantee: Generally non-recourse. All obligations of the Borrower to indemnify the issuer, to pay certain fees and expenses, and to comply with appropriate tax covenants will be full recourse obligations against the Borrower.
Compliance Fee: To be determined.

REGULATORY TERMS

Occupancy Restrictions: 56 Units restricted to occupancy by households earning 60% AMFI and below. Any current residents are to be considered as eligible.
Rent Restrictions: 56 Units restricted to 60% AMFI Rents
Special Needs: 5% of the units are, or will be designed to be accessible to persons with mobility impairments. 2% of the units are or will be designed to be accessible to persons with sight or hearing impairments.
Affordability Term: 30 Years
Other: Applicant will be precluded from prepaying the USDA Loan currently on the property. USDA use restrictions to provide affordable housing must be maintained.

RECOMMENDATION

Staff recommend approval subject to the conditions of TDHCA's underwriting review.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

DATE: November 30, 2002

PROGRAM: PIP

FILE NUMBER: 2002-006P

DEVELOPMENT NAME

Cameron Associates

APPLICANT

Name: Cameron Associates Type: For Profit Non-Profit Municipal Other
 Address: 2409 Canyon Cliff City: Temple State: TX
 Zip: 76502 Contact: Warren L Maupin, Jr. Phone: (254) 773-9958 Fax: (254) 771-3122

PRINCIPALS of the APPLICANT

Name: Warren L Maupin, Jr. (%): 66.3 Title: Principal
 Name: Dr. Gary Becker (%): 16.3 Title: Principal
 Name: Dr. Ken Ethridge (%): 16.3 Title: Principal

PROPERTY LOCATION

Location: 1708 West 4th Street QCT DDA
 City: Cameron County: Milam Zip: 76520

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$852,240	1%	30 yrs	30 yrs
Other Requested Terms: <u>This loan would be a second to the USDA-RD existing first lien on the property</u>			
Proposed Use of Funds: <u>Rehabilitation</u>			

SITE DESCRIPTION

Size: 5.058 acres 220,327 square feet Zoning/ Permitted Uses: Commercial
 Flood Zone Designation: Undetermined* Status of Off-Sites: Fully Improved

* The site is located outside of Zone A according to Applicant

DESCRIPTION of IMPROVEMENTS

Total Units: 56 # Rental Buildings: 10 # Common Area Bldgs: 2 # of Floors: 2 Age: 22 yrs Vacant: 12 at 08/ 01/ 2002

Number	Bedrooms	Bathroom	Size in SF
16	1	1	613
16	2	1	784
16	2	1	845
8	3	1	994

Net Rentable SF: 43,824 Av Un SF: 782 Common Area SF: 1,377 Gross Bldng SF: 45,201

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

CONSTRUCTION SPECIFICATIONS		
STRUCTURAL MATERIALS		
Wood frame on a post-tensioned concrete slab on grade, 95% brick veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing		
APPLIANCES AND INTERIOR FEATURES		
Carpeting & vinyl flooring, range & oven, hood & fan, refrigerator, fiberglass tub/shower, laminated counter tops, individual water heaters		
ON-SITE AMENITIES		
Management offices & laundry facilities		
Uncovered Parking: <u>87</u> spaces	Carports: <u>n/a</u> spaces	Garages: <u>n/a</u> spaces

OTHER SOURCES of FUNDS		
EXISTING PERMANENT FINANCING		
Source: <u>USDA-RD</u>	Contact: <u>Judy Walton</u>	
Original Principal Amount: <u>\$491,600</u>	Interest Rate: <u>1%; subsidized from 11%</u>	
Original Principal Amount: <u>\$785,000</u>	Interest Rate: <u>1%; subsidized from 10.75%</u>	
Additional Information:	Closed on 10/02/1980 and 06/15/1982, respectively. Re-amortized at \$634,5467 and \$357,133 respectively on June 1, 1998 with reduced amortization period	
Amortization: <u>40</u> yrs	Term: <u>40</u> yrs	Annual Payment: <u>\$34,556</u> Lien Priority: <u>1st</u>

APPLICANT EQUITY	
Amount: <u>n/a</u>	Source: <u>n/a</u>

VALUATION INFORMATION			
ASSESSED VALUE			
Land: 5.15 acres	<u>\$57,150</u>	Assessment for the Year of:	<u>2001</u>
Building:	<u>\$171,150</u>	Valuation by:	<u>Milam Appraisal District</u>
Total Assessed Value:	<u>\$228,300</u>	Tax Rate:	<u>2.574</u>

EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	<u>Two Deeds of Trust</u>		
Date Closed:	<u>10/</u>	<u>02/</u>	<u>1980</u>
Date Closed:	<u>05/</u>	<u>07/</u>	<u>1983</u>
Owner:	<u>Cameron Associates</u>		

REVIEW of PREVIOUS UNDERWRITING REPORTS
Cameron Associates was submitted and underwritten in the 2000 HOME cycle. The underwriting analysis recommended the development be approved subject to the following conditions:
<ol style="list-style-type: none"> 1. Receipt, review, and acceptance of a borrowing resolution and certificate of good standing for Cameron Associates; 2. Receipt, review, and acceptance of a revised detailed third party needs assessment / scope of work, including cost estimates and signed by the estimator;

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

3. Receipt, review, and acceptance of an updated title policy prior to contract closing;
 4. Receipt, review, and acceptance of documentation signaling acknowledgment and acceptance of the HOME loan from USDA;
 5. Allocation of a HOME award not to exceed \$696,850 at 0% interest for 30 years.
- The development did not receive an award in the 2000 year cycle.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Cameron Associates is a proposed rehabilitation development of 56 units of affordable housing located in Cameron, Milam County. The development was constructed in two phases and offers one-, two- and three-bedroom units. Phase one, completed in 1980 is comprised of six single story buildings with four units each, while phase two, completed in 1982, is comprised of four two story buildings with eight units each, an office building and a laundry facility.

Existing Subsidies: All 56 of the development's units are restricted under the USDA Rural Development Section 515 program. However, a rent roll dated as of August 23, 2002 indicates only 11 units received Rural Housing Service Rental Assistance. Of the remaining units, 15 are occupied by tenants with HUD Vouchers, 12 by tenants with HUD Certification and six by tenants with no rental assistance. It should also be noted that the application indicated that one 784 square foot unit would be occupied by an employee and the rent roll indicates one unit with no rental rate. However, this was not reflected in the submitted rent schedule.

In December of 2001, the basic rents were set at \$265 for one bedroom, \$285 and \$320 for two bedrooms and \$340 for three bedrooms. The revised rent schedule indicates tenant paid rents of \$295 for one bedroom, \$355 and \$465 for two bedrooms and \$480 for three bedrooms however the 9/1/02 rent roll reflects basic rents of \$265, \$335, \$365, and \$425 respectively. This suggests that the owner plans to request or has already received authorization for an increase in the basic rents. Receipt, review and acceptance of documentation from USDA-RD approving an increase in the unit rents to the levels proposed in the revised rent schedule is a condition of this report.

Development Plan: The buildings are currently 79% occupied and in a much deteriorated state. In August of 2002, USDA-RD performed a physical inspection of the development and noted a wide variety of needed maintenance items including missing interior doors and smoke alarms, loose stair railings and rotten wood siding. The submitted photographs also present a development in need of repair. The owner states, "Due to the economic conditions that faced Texas and the nation in the middle eighties through the early nineties, we began to experience a greater vacancy rate and we had significant collection problems. These type property budgets were established with very little cashflow and with limited return to owner. Therefore, it was not long before we began to experience financial difficulties. In the latter part of the eighties, we began to use our reserve funds to repair the properties and as income reduced, we were unable to make our reserve payment. During this time, we also began to see more vandalism and illegal activity, which added to our problem." It is further stated that funding for Rural Housing rehabilitation is limited and their attempts to apply for funds have been unsuccessful.

The architect's scope of work, prepared by Michael Gray Company, includes: replacement of doors, floor cover, window cover, major appliances, cabinetry, closet shelves and rods and light fixtures, acoustic texturizing and painting, and weatherization. Should the development receive funding, USDA-RD will also perform a needs assessment. The rehabilitation will be phased to minimize displacement of current residents. However, the owner has stated, "There may be a need to house some individuals in other housing in order to expedite the rehabilitation." The project cost schedule includes \$15K in tenant relocation expenses.

Supportive Services: The application does not include a plan provide supportive services for tenants.

Schedule: The Applicant anticipates construction to begin in March of 2003 and completed in October of 2003. The development will continue to operate with as many current tenants as possible in place.

POPULATIONS TARGETED

The development will continue to target low-income households through its participation in the USDA Rural Development Section 515 program. The currently proposed rents are equivalent to 60% or less of AMFI for this market. While the USDA continues to strictly monitor rents for the subject in annual budget based reviews, and the TDHCA preservation program has no specific rent restriction requirements it would be

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

useful to place an absolute maximum percentage of AMFI restriction on the property in the unlikely event that the USDA loan is extinguished prematurely. The Underwriter recommends all units be restricted at not more than 60% of AMFI.

MARKET HIGHLIGHTS

A market study was not submitted, as USDA-RD-financed projects are not required to submit this report.

SITE and NEIGHBORHOOD CHARACTERISTICS

The subject is located in the city of Cameron, Texas which is located in central Texas approximately 50 miles northeast of Austin. The site is located two miles west of the business core of the city of Cameron. The neighborhood in which the project lies is known as the Lewis Addition, and consists of mostly older homes and small-to-medium-sized businesses. The primary thoroughfare providing access to the site is 4th Street, which is a two-lane highway (Highway 190).

Site Inspection Findings: The site was inspected on October 2, 2002 by a TDHCA staff member, and the inspector concluded that the site definitely was in need of repairs but was generally an acceptable site. The inspector was not able to inspect the interior of any of the units but noted that numerous units appeared to be down with broken or boarded-up windows. A site inspection was conducted by a TDHCA staff member May 26, 2000. The inspector at that time also found the site to be well located but generally in fair to poor condition. The inspector concluded that the complex was in great need of significant repair and rehabilitation, from the potholes in the parking lot to the sometimes flooded-out wheelchair ramps. The Applicant also submitted a copy of an August 2002 inspection by USDA which reflected many of the rehabilitation needs indicated in the Applicant's needs assessment. The letter signed by Jewelene Walton states "...it is essential that rehabilitation funds be obtained from outside sources to bring the property up to satisfactory conditions and increase the level of occupancy."

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was not included. USDA-RD-financed projects are not required to submit this report for other TDHCA programs. Moreover, the USDA inspection that will be conducted is anticipated to provide an environmental review of the property.

OPERATING PROFORMA ANALYSIS

Income: All 56 of the development's units are restricted under the USDA Rural Development Section 515 program. The originally submitted rent schedule indicated net rents of \$325 for one bedroom, \$400 and \$425 for two bedrooms and \$485 for three bedrooms. These rents were significantly higher than the existing USDA approved rents and subsequently revised downward by the Applicant to the current proposed levels of \$295, \$355, \$365 and \$480 respectively. Both the Applicant's and the Underwriter's potential gross rent estimates in this analysis are now based on these rents. The Applicant also acknowledged an employee occupied unit but reflected no rent concession for that unit. The Underwriter allowed for a full rent concession in the TDHCA analysis. The Applicant included only \$4.46 per unit per month in secondary income, while the Underwriter included the minimum guideline of \$5 per unit per month as supported by historical operating statement which reflected an average of \$6.97 in monthly secondary income. Overall, the Applicant's effective gross income figure is within 5% of the Underwriter's estimate.

Expenses: The Applicant's revised total operating expense is also within 5% of the Underwriter's estimate. The Applicant's estimate has come down significantly from \$3,062 per unit to \$2,655 per unit. Adjustments were made by the Applicant to more closely track historical expenses of \$1,982 per unit before reserve for replacements are included. The Applicant intends to increase payroll considerably over last year's actual level in order to provide a more adequate staff at the site. The site will now be staffed with a full time manager and a part time manager's assistance as well as one maintenance person. Property taxes are also anticipated to increase from an effective assessed value of roughly \$5K per unit to \$10K per unit which is still somewhat low for comparable rural transactions. Conversely the Applicant expects repairs and maintenance expenses to decrease, after the rehabilitation is completed, to a level more consistent with its peers in the industry. As a result of the revised estimates and explanations provided by the Applicant, their line-item expenses do not differ significantly as compared to the Underwriter's estimates.

Conclusion: While the Applicant's Effective gross income and operating expenses are within 5% of the

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CREDIT UNDERWRITING ANALYSIS**

Underwriter's estimate, the Applicant net operating income is 6% higher than the Underwriter's estimate; therefore, the Underwriter's proforma will be used to determine the development's ability to service debt. While the Applicant's proforma suggests a debt coverage ratio (DCR) within the Department's guideline of 1.10 to 1.25 the Underwriter's proforma suggests a DCR of slightly below a 1.10. As a result the Underwriter recommends either a reduction in the interest rate or slight extension in the amortization period. Program staff has indicated that an extension in the amortization term would be more consistent with the existing amortization of the USDA loans and therefore a 32 year amortization is recommended.

CONSTRUCTION COST ESTIMATE EVALUATION

Sitework Cost: The Applicant's claimed sitework costs of \$1K per unit are considered reasonable for multifamily rehabilitation projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is based upon a thorough needs assessment provided in the application. A note on the cover of the needs assessment states: "Michael Gray Company, Inc. did the needs assessment in February of 2000. If this project is funded USDA Rural Development will do a needs assessment on the project." The needs assessment itself does not reflect authorship. Receipt, review and acceptance of an update from the needs assessment from a party unrelated to the Applicant as proposed is a condition of this report. The Applicant did have a second architect, Jim Faulk, review and sign the estimate of direct construction costs and provide an itemized detail of his estimate. This estimate is sufficient to justify the costs as proposed but as the USDA is anticipated to conduct a further study of the developments needs it would be prudent for staff to receive a copy of the proposed USDA report and compare to the estimates made by the architect. Neither the Applicant nor the architect included any contractor contingency in the budget which means that any unforeseen costs during the rehabilitation will necessarily be either born by the owner as an additional owner contribution or will require a revision and reduction to the proposed repairs.

Interim Financing Fees: The Applicant included \$20K in interim interest cost while the Underwriter included \$8.5K or one year of fully drawn interest expense. However this amount is less than the minimum amount of reserves that should be built into the construction budget to cover leasing expenses during the renovation.

Conclusion: The Underwriters' total development cost estimate is wholly dependent upon the Applicant's cost estimate and as such is by definition consistent with the Applicant's costs within the normal margin of tolerance. It should again be noted that no contingency or developer fee has been indicated in the budget and that the only additional margin built into the re-development budget appears to be the slightly high interim interest expense.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with the requested preservation loan of \$852,240 at an interest rate of 1% for a term of 30 years. Currently, two USDA-RD loans of \$491,600 and \$785,000, respectively, are being serviced at a subsidized interest rate of 1% and an amortization schedule based on a term of 50 years. The USDA-RD agreed to re-amortize the loans on June 1, 1998. The total amount re-amortized was \$634,546.62 for 417 repayment periods and \$357,133.37 for 388 repayment periods. Therefore, there are roughly 363 and 334 months respectively remaining on the USDA notes.

Financing Conclusions: Based on the Applicant's total development cost estimate, a need for the requested \$852,240 is evident. In addition, the Applicant's proforma indicates that the additional loan can be serviced at the requested terms of 1% interest amortized over a 30 year term. While the USDA appears to encourage the Applicant to find a non-USDA source for rehabilitation it is not clear that they would accept an additional lien on the property. The Underwriting analysis suggests the development could support this additional debt but only at a slightly longer amortization term of 32 years or 384 months.

REVIEW of ARCHITECTURAL DESIGN

The development is comprised of single story and two story brick buildings housing garden style apartments. The unit floorplans appear to be functional with adequate storage space.

IDENTITIES of INTEREST

The owner/Applicant is related to both the current property manager and proposed general contractor. These

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

are common identities of interest for applications submitted to the Department.

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

Financial Highlights:

- The Applicant/owner submitted an audited financial statement as of December 31, 2001 reporting total assets of \$480K consisting of restricted deposits and funded reserves, land, buildings and improvements, furniture, fixtures and equipment, and prepaid insurance. Liabilities totaled \$1M, resulting in a partners' deficit of \$526K.
- Warren L Maupin, Jr., J Kendall Ethridge and Gary L Becker, principals of the Applicant, each submitted authorizations to release credit information, but failed to submit personal financial statements. Receipt, review and acceptance of personal financial statements for each principal with at least a 10% ownership interest in the Applicant entity is a condition of this report.

Background & Experience:

- Warren L Maupin, principal of the Applicant, has indicated previous participation in eight LIHTC and/or USDA-RD developments totaling 238 units since 1978.

SUMMARY OF SALIENT RISKS AND ISSUES

- The development budget is wholly dependent upon the needs assessment provided by the Applicant, which does not include a margin for contingency costs.

RECOMMENDATION

- RECOMMEND APPROVAL OF A PIP AWARD NOT TO EXCEED \$852,240, STRUCTURED AS A 32-YEAR TERM LOAN, FULLY AMORTIZING OVER 32 YEARS AT 1% INTEREST, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of documentation from USDA-RD approving an increase in the unit rents to the levels proposed in the revised rent schedule;
2. Receipt, review and acceptance of the revised needs assessment if conducted by or on behalf of USDA; and,
3. Receipt, review and acceptance of personal financial statements for each principal with at least a 10% ownership interest in the Applicant entity

Director of Credit Underwriting: _____

Tom Gouris

Date: November 30, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Cameron Associates Apartments, Cameron, PIP #2002-006P

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trsh
OT/<60%	16	1	1	613	\$406	\$295	\$4,720	\$0.48	\$58.00	\$15.37
OT/<60%	16	2	1	784	487	355	5,680	0.45	63.00	24.57
OT/=60%	16	2	1	845	487	365	5,840	0.43	62.00	16.05
OT/=60%	8	3	1	994	563	480	3,840	0.48	82.00	27.37
TOTAL:	56		AVERAGE:	783	\$475	\$359	\$20,080	\$0.46	\$64.00	\$19.91

INCOME Total Net Rentable Sq Ft **43,824**

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

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

TDHCA	APPLICANT
\$240,960	\$240,960
3,360	3,000
0	0
\$244,320	\$243,960
(18,324)	(18,300)
(4,800)	0
\$221,196	\$225,660

Per Unit Per Month: \$4.46
 of Potential Gross Rent: -7.50%

EFFECTIVE GROSS INCOME

EXPENSES

	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	4.97%	\$196	\$0.25
Management	8.38%	331	0.42
Payroll & Payroll Tax	18.99%	750	0.96
Repairs & Maintenance	8.63%	341	0.44
Utilities	3.39%	134	0.17
Water, Sewer, & Trash	4.61%	182	0.23
Property Insurance	5.54%	219	0.28
Property Tax 2.574	5.09%	201	0.26
Reserve for Replacements	7.60%	300	0.38
Other Expenses:	0.00%	0	0.00
TOTAL EXPENSES	67.20%	\$2,654	\$3.39
NET OPERATING INC	32.80%	\$1,296	\$1.66

PER SQ FT	PER UNIT	% OF EGI
\$0.21	\$165	4.10%
0.46	357	8.86%
0.96	750	18.61%
0.52	411	10.19%
0.17	134	3.32%
0.24	188	4.65%
0.29	223	5.54%
0.25	198	4.92%
0.29	229	5.67%
0.00	0	0.00%
\$3.39	\$2,655	65.88%
\$1.76	\$1,375	34.12%

PER SQ FT: \$0.21, \$0.46, \$0.96, \$0.52, \$0.17, \$0.24, \$0.29, \$0.25, \$0.29, \$0.00
 PER UNIT: \$165, 357, 750, 411, 134, 188, 223, 198, 229, 0, \$2,655, \$1,375
 % OF EGI: 4.10%, 8.86%, 18.61%, 10.19%, 3.32%, 4.65%, 5.54%, 4.92%, 5.67%, 0.00%, 65.88%, 34.12%

DEBT SERVICE

Existing USDA-RD Loan	9.78%	\$386	\$0.49
Existing USDA-RD Loan	5.85%	\$231	\$0.30
PIP Loan	14.87%	\$587	\$0.75
NET CASH FLOW	2.31%	\$91	\$0.12

\$21,624	\$21,624	\$0.49	\$386	9.58%
12,932	12,932	\$0.30	\$231	5.73%
32,894	32,894	\$0.75	\$587	14.58%
\$5,109	\$9,547	\$0.22	\$170	4.23%

AGGREGATE DEBT COVERAGE RATIO: 1.08
 ALTERNATIVE DEBT COVERAGE RATIO: 1.14

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bl)	0.00%	0.00%	\$0	\$0.00
Off-Sites	0.00%	0.00%	0	0.00
Sitework	5.66%	5.66%	880	1.12
Direct Construction	68.07%	68.07%	10,584	13.52
Contingency	0.00%	0.00%	0	0.00
General Req'ts	5.48%	4.04%	628	0.80
Contractor's G & I	1.83%	1.35%	209	0.27
Contractor's Prof:	5.48%	4.04%	628	0.80
Indirect Construction	10.88%	10.88%	1,691	2.16
Ineligible Costs	0.00%	0.00%	0	0.00
Developer's G & A	0.00%	0.00%	0	0.00
Developer's Profit	0.00%	0.00%	0	0.00
Interim Financing	2.53%	2.53%	393	0.50
Reserves	3.45%	3.45%	536	0.68
TOTAL COST	100.00%	100.00%	\$15,549	\$19.87
Recap-Hard Construction Costs	83.15%	83.15%	\$12,929	\$16.52

TDHCA	APPLICANT
\$0	\$0
0	0
49,300	49,300
592,700	592,700
0	0
35,160	35,160
11,720	11,720
35,160	35,160
94,700	94,700
0	0
0	0
0	0
22,022	33,500
30,004	0
\$870,766	\$852,240
\$724,040	\$724,040

PER SQ FT: \$0.00, 0.00, 1.12, 13.52, 0.00, 0.80, 0.27, 0.80, 2.16, 0.00, 0.00, 0.00, 0.76, 0.00
 PER UNIT: \$0, 0, 880, 10,584, 0, 628, 209, 628, 1,691, 0, 0, 0, 598, 0, \$15,219
 % of TOTAL: 0.00%, 0.00%, 5.78%, 69.55%, 0.00%, 4.13%, 1.38%, 4.13%, 11.11%, 0.00%, 0.00%, 0.00%, 3.93%, 0.00%, 100.00%

SOURCES OF FUNDS

Existing USDA-RD Loan	0.00%	\$0	\$0.00
Existing USDA-RD Loan	0.00%	\$0	\$0.00
PIP Loan	97.87%	\$15,219	\$19.45
Deferred Developer Fees	0.00%	\$0	\$0.00
Additional (excess) Funds Req	2.13%	\$331	\$0.42
TOTAL SOURCES			

\$0	\$0
0	0
852,240	852,240
0	0
18,526	0
\$870,766	\$852,240

RECOMMENDED: \$0, 0, 852,240, 0, 0

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Cameron Associates Apartments, Cameron, PIP #2002-006P

DIRECT CONSTRUCTION COST ESTIMATE
 Residential Cost Handbook
 Average Quality Multiple Residence Basis

PAYMENT COMPUTATION

Primary	\$634,547	Term	417
Int Rate	1.00%	DCR	3.36

Secondary	\$357,133	Term	388
Int Rate	1.00%	Subtotal DCR	2.10

Request	\$852,240	Term	360
Int Rate	1.00%	Aggregate DCR	1.08

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$21,624
Secondary Debt Service	12,932
Additional Debt Service	31,132
NET CASH FLOW	\$6,871

Primary	\$634,547	Term	417
Int Rate	1.00%	DCR	3.36

Secondary	\$357,133	Term	388
Int Rate	1.00%	Subtotal DCR	2.10

Additional	\$852,240	Term	384
Int Rate	1.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$240,960	\$248,189	\$255,634	\$263,303	\$271,203	\$314,398	\$364,474	\$422,525	\$567,838
Secondary Income	3,360	3,461	3,565	3,672	3,782	4,384	5,082	5,892	7,918
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	244,320	251,650	259,199	266,975	274,984	318,782	369,556	428,417	575,756
Vacancy & Collection Los	(18,324)	(18,874)	(19,440)	(20,023)	(20,624)	(23,909)	(27,717)	(32,131)	(43,182)
Employee or Other Non-Re:	(4,800)	(4,944)	(5,092)	(5,245)	(5,402)	(6,263)	(7,260)	(8,417)	(11,312)
EFFECTIVE GROSS INCOME	\$221,196	\$227,832	\$234,667	\$241,707	\$248,958	\$288,611	\$334,579	\$387,869	\$521,263
EXPENSES at 4.00%									
General & Administrative	\$10,996	\$11,436	\$11,893	\$12,369	\$12,864	\$15,651	\$19,042	\$23,167	\$34,293
Management	18,543	19,099	19,672	20,262	20,870	24,194	28,048	32,515	43,697
Payroll & Payroll Tax	42,000	43,680	45,427	47,244	49,134	59,779	72,730	88,488	130,983
Repairs & Maintenance	19,091	19,855	20,649	21,475	22,334	27,172	33,059	40,222	59,538
Utilities	7,500	7,800	8,112	8,436	8,774	10,675	12,988	15,801	23,390
Water, Sewer & Trash	10,200	10,608	11,032	11,474	11,933	14,518	17,663	21,490	31,810
Insurance	12,257	12,747	13,257	13,787	14,339	17,446	21,225	25,824	38,225
Property Tax	11,251	11,701	12,169	12,656	13,162	16,014	19,483	23,704	35,088
Reserve for Replacements	16,800	17,472	18,171	18,898	19,654	23,912	29,092	35,395	52,393
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	\$148,638	\$154,398	\$160,383	\$166,601	\$173,063	\$209,360	\$253,330	\$306,605	\$449,418
NET OPERATING INCOME	\$72,558	\$73,434	\$74,284	\$75,106	\$75,895	\$79,251	\$81,249	\$81,263	\$71,845
DEBT SERVICE									
First Lien Financing	\$21,624	\$21,624	\$21,624	\$21,624	\$21,624	\$21,624	\$21,624	\$21,624	\$21,624
Second Lien	12,932	12,932	12,932	12,932	12,932	12,932	12,932	12,932	12,932
Other Financing	31,132	31,132	31,132	31,132	31,132	31,132	31,132	31,132	31,132
NET CASH FLOW	\$6,871	\$7,747	\$8,597	\$9,418	\$10,208	\$13,564	\$15,562	\$15,576	\$6,158
DEBT COVERAGE RATIO	1.10	1.12	1.13	1.14	1.16	1.21	1.24	1.24	1.09

Developer Evaluation

Compliance Status Summary

Project ID #: 006P

LIHTC 9% LIHTC 4%

Project Name: Cameron Apartments

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 4 # not yet monitored or pending review 0

of projects grouped by score 0-9: 4 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor Completed on 10/28/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino Completed on 10/28/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson Completed on 10/28/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by EEF **Completed on** _____

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 10/31/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 10/28/2002

Executive Director: _____ **Date Signed:** _____



TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

HOUSING FINANCE DIVISION - MULTIFAMILY

REQUEST FOR BOARD APPROVAL OF MULTIFAMILY MORTGAGE REVENUE BOND ISSUANCE

QUALIFIED 501(C)(3) MULTIFAMILY MORTGAGE REVENUE BONDS

NHP FOUNDATION—ASMARA PROJECT

\$31,500,000 (*) Tax Exempt – Series 2002

TABLE OF EXHIBITS

TAB 1	TDHCA Board Presentation
TAB 2	Sources & Uses of Funds Estimated Costs of Issuance
TAB 3	Department's Credit Underwriting Analysis
TAB 4	Rental Restrictions Explanation Results & Analysis
TAB 5	Location Maps
TAB 6	TDHCA Compliance Report
TAB 7	Results of TEFRA Hearings and Public Comment

() Preliminary - subject to change*

**FINANCE COMMITTEE AND BOARD APPROVAL
MEMORANDUM
December 2002**

PROJECT: NHP Foundation—Asmara Project

PROGRAM: Texas Department of Housing & Community Affairs
Qualified 501(c)(3) Multifamily Mortgage Revenue Bonds

**ACTION
REQUESTED:**

Approve the issuance of multifamily mortgage revenue bonds (the "Bonds") by the Texas Department of Housing and Community Affairs (the "Department"). The Bonds will be issued under Chapter 1371 of the Texas Government Code and under Chapter 2306 of the Texas Government Code, the Department's enabling legislation which authorizes the Department to issue its revenue bonds for its public purposes as defined therein.

PURPOSE:

The proceeds of the Bonds will be used to fund a mortgage loan (the "Mortgage Loan") to Asmara Affordable Housing, Inc, a Texas nonprofit corporation (the "Borrower"), to refund the Department's outstanding Multifamily Mortgage Revenue Bonds (NHP Foundation—Asmara Project), Series 1996, to finance capital improvements and repairs to the nine (9) apartment projects located throughout Texas which were originally financed with the proceeds of the Series 1996 Bonds, and to pay certain costs of issuance of the Bonds. The Bonds will be tax-exempt by virtue of the Project qualifying as a residential rental project.

BOND AMOUNT:

\$31,500,000 (*) Series 2002, Tax Exempt Bonds

The aggregate principal amount of the Bonds will be determined by the Department based on its rules, underwriting, the cost of construction of the Project and the amount for which Bond Counsel can deliver its Bond Opinion.

**ANTICIPATED
CLOSING DATE:**

The anticipated closing date is December 27, 2002 (a detailed Critical Date Schedule is included as Exhibit 2).

BORROWER:

Asmara Affordable Housing, Inc., a Texas non-profit corporation, the sole member of which is The NHP Foundation. The board of directors and officers of The NHP Foundation are Ghebre Mehreteab, President, Treasurer and Director, John Hoffer, Vice President and Director, Joseph Wiedorfer, Vice President, Secretary and Director, Carol Young, Director, and Katie Harris, Director.

**COMPLIANCE
HISTORY:**

A compliance review was performed on May 23, 2002. Of the nine (9) properties in the owners Texas portfolio, three properties were assigned a non-compliance score of five (5), four (4), and eleven (11)

respectively. These scores are considered to be acceptable.

ISSUANCE TEAM:

Berkshire Mortgage Finance (Freddie Mac Seller/Servicer)
Federal Home Loan Mortgage Corporation (“Freddie Mac”) (Credit Facility Provider)
J.P. Morgan Securities, Inc. (Underwriter)
Wells Fargo Bank Texas, National Association. (Trustee)
Vinson & Elkins L.L.P. (Bond Counsel)
Dain Rauscher, Inc. (Financial Advisor)
McCall, Parkhurst & Horton, L.L.P. (Issuer Disclosure Counsel)

BOND PURCHASER:

The Bonds will be publicly offered for sale on or about December 23, 2002 at which time the final pricing and Bond Purchaser(s) will be determined. The Bonds will initially bear interest at a variable rate, which may be converted to a fixed rate as described in the Trust Indenture, until maturity or prior redemption. The Borrower will enter into an interest rate swap agreement with J.P. Morgan whereby the Borrower will pay to J.P. Morgan a fixed rate of interest to be determined at the time of pricing. In exchange, J.P. Morgan will pay to the Borrower a variable rate of interest based on the BMA index. The Borrower will make variable rate payments on the Bond Mortgage Loan with the payments received from J.P. Morgan. Freddie Mac will guarantee the payments by the Borrower to J.P. Morgan.

The term of the interest rate swap agreement will be 10 years and may be cancelled after 5 years. Once the swap agreement expires, the Borrower must either enter into another swap agreement or purchase an interest rate cap on its variable rate payments required under the Bond Mortgage Loan Documents. It is required that the Borrower set aside funds from the Project Revenues in an amount sufficient to purchase an interest rate cap after five years.

PROJECT DESCRIPTION:

The Project consists of the following nine (9) multifamily rental properties located throughout Texas.

Arbour East Apartments,	300 Units,	Dallas, Texas,
Azalea Court,	57 Units,	Dallas, Texas,
Creek Hollow Apartments,	120 Units,	Fort Worth, Texas,
Heritage Square Apartments,	112 Units,	Dallas, Texas,
Highlands Apartments,	136 Units,	Dallas, Texas,
Oak Brook Apartments,	222 Units,	Houston, Texas,
Players Club Apartments,	320 Units,	Dallas, Texas,
Stone Ridge Apartments,	204 Units,	Arlington, Texas,
Wellington Place,	164 Units,	Dallas, Texas.
Total	1,635 Units	

SET-ASIDE UNITS:

For Bond covenant purposes, twenty percent (20%) of the units in the Project will be restricted to occupancy by persons or families earning not more than fifty percent (50%) of the area median income. Five percent (5%) of the units in the Project will be set aside on a priority basis for persons with special needs.

RENT CAPS:

For Bond covenant purposes, the rental rates on twenty percent (20%) of the units will be restricted to a maximum rent that will not exceed thirty percent (30%) of the income, adjusted for family size, for fifty percent (50%) of the area median income (see Exhibit 6).

TENANT SERVICES:

Borrower will be required to provide an annual Tenant Services Plan based on the tenant profile that conforms to the Department's program guidelines. In the original 1996 transaction, the borrower had agreed to fund a minimum of \$90,000 in tenant services per year. As a result of this transaction, the borrower has agreed to increase the minimum amount of tenant services to \$200,000 per year, payable from surplus cash. Details of Tenant Services for the years 2001 and 2002 are provided under Tab 10.

**DEPARTMENT
ORIGINATION
FEES:**

\$5,000 Application Fee (Paid)
\$78,750 Issuance Fee (.25% of the bond amount paid at closing)

**DEPARTMENT
ANNUAL FEES:**

Bond Administration - 0.10% of bond amount (\$31,500 initially)
Compliance Fee- \$25/unit/year (\$40,875 CPI Inflated)

**ASSET OVERSIGHT
FEE:**

\$25/unit/year (\$40,875) to TSAHC or assigns.

(Department's annual fees or the Asset Oversight fees may be adjusted, including deferral, to accommodate underwriting criteria and Project cash flow.)

**BOND STRUCTURE &
SECURITY FOR THE
BONDS:**

The Bonds are proposed to be issued under a Trust Indenture (the "Trust Indenture") that will describe the fundamental structure of the Bonds, permitted uses of Bond proceeds and procedures for the administration, investment and disbursement of Bond proceeds and program revenues.

As stated above, the Bonds are being issued to refund the Series 1996 Bonds, to finance capital improvements and repairs to the nine (9) apartment projects in the pool, and to pay certain costs of issuance of the Bonds. The Mortgage Loan will be secured by, among other things, Deeds of Trust and other security instruments on the nine apartment projects. The Mortgage Loan and security instruments will be assigned to the Trustee and will become part of the Trust Estate securing the Bonds.

Freddie Mac will provide a credit enhancement facility for the Mortgage Loan. The required payments under the Mortgage Loan will be secured by guaranteed payments under a direct-pay Credit Enhancement Agreement, between Freddie Mac and the Trustee. The obligation of the Borrower to reimburse Freddie Mac for funds

provided by Freddie Mac pursuant to the Credit Enhancement Agreement is established by the terms and conditions of a Reimbursement and Security Agreement by and between the Borrower and Freddie Mac.

In addition to the credit enhanced Mortgage Loan, other security for the Bonds consists of the net bond proceeds, the revenues and any other moneys received by the Trustee for payment of principal and interest on the Bonds, and amounts otherwise on deposit in the Funds and Accounts (excluding the Cost of Issuance Fund, the Principal Reserve Fund, the Rebate Fund, and the Bond Purchase Fund) and any investment earnings thereon (see Funds and Accounts section, below).

The Bonds are mortgage revenue bonds and, as such, create no potential liability for the general revenue fund or any other state fund. The Act provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas. The only funds pledged by the Department to the payment of the Bonds are the revenues from the financing carried out through the issuance of the Bonds.

**CREDIT
ENHANCEMENT:**

The Series 1996 Bonds were not credit-enhanced and were initially rated "A" by Standard and Poor's. The aggregate interest rate on the Series 1996 Bonds was 6.362% (Net Interest Cost).

The proposed refunding with credit enhancement by Freddie Mac allows for an anticipated rating by the Rating Agency of "AAA" and an anticipated interest rate of approximately 4.69% per annum, based on the swap described above, inclusive of credit enhancement and servicing fees. Without the credit enhancement, the Bonds would command a higher interest rate from investors on similar maturity bonds.

FORM OF BONDS:

The Bonds will be issued in book entry form and in denominations of \$100,000 or any integral multiple of \$5,000 in excess thereof.

**TERMS OF THE
MORTGAGE LOAN:**

The Mortgage Loan is a non-recourse obligation of the Owner, which means, subject to certain exceptions, that the Owner is not liable for the payment thereof beyond the amount realized from the pledged security. The Mortgage Loan provides for level monthly payments of principal and interest for 360 months. The Borrower will be required to pay mortgage payments on the Mortgage Loan to the Servicer, who will remit the principal and interest components of the mortgage payments to the Trustee.

**MATURITY/SOURCES
& METHODS OF
REPAYMENT:**

The Bonds will bear interest at a variable rate until maturity, which is 1/1/2033, unless converted to a fixed rate prior to maturity.

Revenues securing repayment of the Bonds include: (1) payments made against the Mortgage Loan; (2) payments made pursuant to the Credit Facility; and (3) moneys and securities held in Funds & Accounts (discussed below) created by the Indenture (excluding the Cost of Issuance, Principal Reserve, Rebate, and Bond Purchase Funds) together with all investment earnings thereon.

Under the Credit Enhancement Agreement, Freddie Mac agrees to make certain guaranteed payments to the Trustee related to the Mortgage Loan. The Borrower, in a separate Reimbursement Agreement with Freddie Mac, agrees to reimburse Freddie Mac for funds provided pursuant to the Credit Enhancement Agreement.

**REDEMPTION OF
BONDS PRIOR TO
MATURITY:**

The Bonds are subject to redemption under any of the following circumstances:

Optional Redemption:

The Bonds are subject to optional redemption, in whole or in part, during the Variable Period, on any Interest Payment Date, at a redemption price of 100% of the principal amount thereof, plus accrued interest thereon to the redemption date, or during a Reset Period or Fixed Rate Period on various call dates and at varying redemption prices according to a schedule based on the term of the Reset or Fixed Rate Period.

Mandatory Redemption:

The Bonds are subject to mandatory redemption on any date, at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date, without premium from proceeds of a draw on the Credit Facility:

(1) in whole or in part, upon receipt by the Trustee of (A) proceeds of a draw under the Credit Facility, (B) Net Proceeds representing casualty insurance proceeds or condemnation awards paid as a prepayment of the Bond Mortgage Loan, such amount to be applied to reimburse the Credit Facility Provider for the draw under the Credit Facility as a result of casualty or condemnation of the Project and (C) a written direction by the Credit Facility Provider to redeem such Bonds pursuant to the Credit Facility; or

(2) in whole, upon receipt by the Trustee of amounts from the Credit Facility Provider pursuant to the Credit Facility as a result of the occurrence of an event of default under any Bond Mortgage Loan Document and receipt by the Trustee of a written direction by the Credit Facility Provider to redeem the Bonds pursuant to the Credit Facility; or

(3) in whole, on the last Business Day which is not less than five days before the date of expiration of any Credit Facility unless certain provisions for renewing or replacing the Credit Facility are made; or

(4) in part, at the written direction of the Credit Facility Provider (A) on each Reset Adjustment Date, each Variable Rate Adjustment Date and on the Conversion Date in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Reset Adjustment Date, Variable Rate Adjustment Date or the Conversion Date, as applicable, or (B) on any Interest Payment Date during a Variable Period, in an amount not greater than the amount in the Principal Reserve Fund on the first day of the month prior to such Interest Payment Date; or

(5) in part, on each Interest Payment Date, during any Reset Period or Fixed Rate Period, with respect to the Bonds that have term maturities occurring during such Reset Period or Fixed Rate Period commencing on the first sinking fund mandatory redemption date established for the Bonds for such Reset Period or Fixed Rate Period, provided that the amount of Bonds to be redeemed in each year from sinking fund installments shall be decreased by an amount, in proportion, as nearly as practicable, to the decrease in the payments on the Bond Mortgage Loan in such year as determined by the Trustee; or

(6) in whole, on the day following any Reset Period if the Trustee has not received the various items required to effect a new Variable Period, Reset Period or a Conversion or upon cancellation of a rate adjustment on a Reset Adjustment Date or upon cancellation of a conversion to a Fixed Rate; or

(7) in whole or in part, upon receipt by the Trustee of the Release Amount, together with accrued interest and premium, if any, upon the sale or transfer of any Property in accordance with the terms set forth in the Financing Agreement;

(8) in part, on January 1 of each year the Bonds remain Outstanding, in the amounts set forth in the schedule of Mandatory Sinking Fund Redemptions, subject to certain adjustments; or

(9) in part upon the occurrence of a default by the Borrower in the performance of its obligations under the Capital Improvement, Repair, or Replacement reserve Escrow Agreements.

Purchase in Lieu of Redemption:

If the Bonds are called for redemption in whole, the Bonds may be purchased in lieu of such redemption by the Trustee for the account of the Borrower or the Credit Facility Provider. These Purchased Bonds do not benefit from the credit enhancement facility and may not be transferred to any other third-party owner without the approval of the Department or receipt of an investment grade rating.

FUNDS AND
ACCOUNTS/FUNDS
ADMINISTRATION:

Under the Trust Indenture, Wells Fargo Bank Texas, National Association, (the "Trustee") will serve as registrar and authenticating agent for the Bonds, trustee of certain of the funds created under the Trust Indenture (described below), and will have responsibility for a number of loan administration and monitoring functions.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will initially be issued as fully registered securities and when issued will be registered in the name of Cede & Co., as nominee for DTC. One fully registered global bond in the aggregate principal amount of each stated maturity of the Bonds will be deposited with DTC.

Moneys on deposit in Trust Indenture funds are required to be invested in eligible investments prescribed in the Trust Indenture until needed for the purposes for which they are held.

The Trust Indenture will create up to ten (10) funds with the following general purposes:

1. Mortgage Loan Fund – Fund into which Bond proceeds will be deposited and then dispersed to pay for the various project costs;
2. Revenue Fund – General account into which periodic Revenues are deposited and then disbursed in accordance with the various requirements defined in the Indenture;
3. Bond Fund and Redemption Fund – Funds into which revenues are deposited for the purpose of paying principal and interest on the bonds or redeeming outstanding bonds;
4. Costs of Issuance Fund and Administration Fund – Funds from which initial and ongoing fees are paid to the various parties involved in originating and administering the bond transaction;
5. Principal Reserve Fund – Reserve fund from which certain payments associated with the Mortgage Loan may be made as necessary under various circumstances defined in the Indenture;
6. Rebate Fund – Fund into which certain investment earnings are transferred that are required to be rebated periodically to the federal government to preserve the tax-exempt status of the Bonds. Amounts in this fund are held apart from the trust estate and are not available to pay debt service on the Bonds;
7. Repair, Capital Improvement and Replacement Reserve Funds – Funds into which Bond proceeds are deposited in order to make certain initial, and ongoing repairs to each of the apartment projects.

Apart from these funds, a portion of the Bond proceeds will be deposited with an Escrow Agent for the Prior Bonds. Such proceeds deposited with the Escrow Agent will be used to maintain debt service on the Prior Bonds until such bonds are eligible for optional redemption in January of 2007. The remaining Bond proceeds will be deposited in the Repair, Capital Improvements, and Replacement Reserve Funds, and the Costs of Issuance Fund. Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of Issuance in excess of two percent (2%) of the Bonds will be paid from the proceeds of a subordinate taxable loan.

**DEPARTMENT
ADVISORS:**

The following advisors have been selected by the Department to perform the indicated tasks in connection with the issuance of the Bonds.

1. Bond Counsel - Vinson & Elkins L.L.P. ("V&E") was most recently selected to serve as the Department's bond counsel through a request for proposals ("RFP") issued by the Department in August 1998. V&E has served in such capacity for all Department or Agency bond financings since 1980, when the firm was selected initially (also through an RFP process) to act as Agency bond counsel.
2. Bond Trustee – Wells Fargo Bank Texas, National Association was selected as bond trustee by the Department pursuant to a request for proposal process in June 1996.
3. Financial Advisor - Dain Rauscher, Inc., formerly Rauscher Pierce Refsnes, was selected by the Department as the Department's financial advisor through a request for proposals process in September 1991.
4. Underwriter – JP Morgan Securities, Inc. was selected by the Borrower from the Department's list of approved underwriters for multifamily bond issues. The underwriter list was compiled and approved by the Department through an RFP process in early 1999.

**ATTORNEY GENERAL
REVIEW OF BONDS:**

No preliminary written review of the Bonds by the Attorney General of Texas has yet been made. Department bonds, however, are subject to the approval of the Attorney General, and transcripts of proceedings with respect to the Bonds will be submitted for review and approval prior to the issuance of the Bonds.

**FINANCE COMMITTEE AND BOARD APPROVAL
MEMORANDUM
December 2002**

NHP-ASMARA PROJECT: Comparison of original issuance and refunding bonds.

	1996 Prior Bonds	2002 Refunding Bonds
Borrower:	Asmara Affordable Housing, Inc., NHP Foundation	Asmara Affordable Housing, Inc., NHP Foundation
Date of Issue:	November 21, 1996	December 27, 2002
Bond Amount:	\$27,560,000	\$31,500,000
Interest Rate:	6.362% (Net interest cost)	4.69% (Estimated)
Credit Enhancement:	None	Freddie Mac Direct-Pay Mortgage Insurance
Bond Rating:	A	AAA
Affordability:	20% of all units for 50% of AMI	20% of all units for 50% of AMI
Tenant services:	\$90,000 annually required by bond documents.	\$200,000 annually required by bond documents.
Rehabilitation (Including deposits to reserves):	\$1,800,000	\$3,000,334
Original Acquisition Costs	\$22,677,884	N/A
Subordinate Financing:	None	A subordinate lien will secure a line of credit from Berkshire Mortgage in an amount up to approximately \$5.7 million. \$1,061,000 in proceeds from this source will be used to fund certain costs of issuance.
CHDO Property Tax Exemptions:	Not available initially. Applicant became certified as a CHDO on April 22, 2002. The applicant has had property tax exemptions for the Oakbrook Apts. in Harris County since November of 2001. The applicant received tax exemptions for the remaining properties for the 2002 taxing year in June and August of 2002.	The applicant's ability to receive property tax exemptions is independent of the proposed bond refunding. The applicant currently has property tax exemptions for all properties in the portfolio.
Net Present Value of Savings:	N/A	\$1,804,185

2001 Expenditure Budget

Property Name	Units	After School Programs	Computer Education	Youth Services	Scholarship	NHPF Honor Roll	Family Services	Overhead Monies	Grand Total*
Expansion		On site after school programs	Training and maintenance	School supplies, summer camp	Community Essay Award	Incentive for improved or excellent grades	Children's Thrift Clothing	Salary and other expense	
Arbour East	300	\$ 9,752.76	\$ 329.40	\$ 575.90	\$ 180.00	\$ 140.83	\$ 2,808.06	\$ 11,808.90	\$ 25,596.85
Azalea Court	57	\$ 2,167.28	\$ 73.20	\$ 127.98	\$ 40.00	\$ 31.29	\$ 624.24	\$ 2,624.20	\$ 5,686.19
Creek Hollow	120	\$ 3,792.74	\$ 128.10	\$ 223.96	\$ 70.00	\$ 54.77	\$ 1,092.41	\$ 4,592.35	\$ 9,954.33
Heritage Square	112	\$ 3,792.74	\$ 128.10	\$ 223.96	\$ 70.00	\$ 54.77	\$ 1,092.41	\$ 4,592.35	\$ 9,954.33
The Highlands	136	\$ 4,334.56	\$ 146.40	\$ 255.96	\$ 80.00	\$ 62.59	\$ 1,248.47	\$ 5,248.40	\$ 11,376.38
Oakbrook	222	\$ 7,585.48	\$ 256.20	\$ 447.92	\$ 140.00	\$ 109.53	\$ 2,184.83	\$ 9,184.70	\$ 19,908.66
Players Club	320	\$ 10,836.40	\$ 366.00	\$ 639.89	\$ 200.00	\$ 156.47	\$ 3,121.18	\$ 13,121.00	\$ 28,440.94
Stone Ridge	204	\$ 6,501.84	\$ 219.60	\$ 383.93	\$ 120.00	\$ 93.86	\$ 1,872.71	\$ 7,872.60	\$ 17,064.56
Wellington Place	164	\$ 5,418.20	\$ 183.00	\$ 319.95	\$ 100.00	\$ 78.24	\$ 1,560.59	\$ 6,560.50	\$ 14,220.48
	1635	\$ 54,182.00	\$ 1,830.00	\$ 3,199.45	\$ 1,000.00	\$ 782.37	\$ 15,605.90	\$ 65,605.00	\$ 142,204.72

* - Does not reflect all RS overhead monies

NHPF 2002 Budget - Resident Social Services

Property: Asmara	1/16/02	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
Revenues														
Resident Paid Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Misc. Income	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Revenue	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Expenses														
Salaries	4800	3300	3300	3300	4800	3300	3300	4800	3300	3300	4800	3300	3300	45600
Payroll Tax	342	342	342	342	342	342	342	342	342	342	342	342	342	4104
Workman's Comp.	190	190	190	190	190	190	190	190	190	190	190	190	190	2280
Benefits	228	228	228	228	228	228	228	228	228	228	228	228	228	2736
Sub-Total	5560	4080	4080	4080	5560	4080	4080	5560	4080	4080	5560	4080	4080	54720
Food	50	0	0	50	0	0	0	50	0	0	50	0	0	200
Office Supplies	120	120	120	120	120	120	120	120	120	120	120	120	120	3140
#6316 Res. P&F	4070	4070	4070	4070	4070	4070	4070	4070	4070	4070	4070	4070	4070	49847
Thanks-4-Giving	0	0	0	0	0	0	0	0	0	0	0	0	0	500
Christmas	0	0	0	0	0	0	0	0	0	0	0	0	1500	1500
Summer Kids Camp	0	0	0	0	0	0	0	0	0	0	0	0	0	1000
Computer Training/Mtu	416	416	416	416	416	417	417	417	417	417	417	417	417	5000
School Supplies	0	0	0	0	0	0	0	0	2800	0	0	0	0	2800
Safety Awareness	100	0	0	0	0	125	0	0	125	0	150	0	0	500
NHP Honor Roll	250	250	250	250	250	250	250	250	250	250	250	250	250	3000
Toys for Tots	0	0	0	0	0	0	0	0	0	0	0	0	0	100
Birthday Celebration	83	83	83	83	83	83	84	84	84	84	84	84	84	1000
ESL	100	100	100	100	100	100	100	100	100	100	100	100	100	1000
NHPF Essay Award	77	77	77	77	77	77	77	77	77	77	77	77	77	924
The Culture Club	45	45	45	45	45	45	55	55	55	55	55	45	45	600
Senior Services	4800	4800	4800	4800	4800	4800	4783	4783	4800	4800	4800	4800	4800	56716
After School Program	550	550	550	550	550	550	550	550	550	550	550	550	550	6600
Telephone	0	0	0	0	0	0	0	0	0	0	0	0	100	100
Cleaning Supplies	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Mileage	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Security Alarm	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Training	480	0	0	0	460	0	0	490	0	0	480	0	0	1900
Special Events	1000	0	0	0	0	0	1000	0	0	0	0	1000	0	3000
Electricity	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RSS Unit	3385	3385	3405	3405	3405	3445	3455	3455	3475	3480	3480	3480	3480	41330
Miscellaneous*	400	400	400	400	400	400	400	400	400	400	400	400	400	4200
Sub-Total	15156	14286	15716	14926	14882	14482	15351	16701	17423	14423	15193	15893	15897	185457
Total Expenses	20716	18356	19776	20486	18542	19411	22261	22483	21483	18483	20753	19953	19957	240177
Capital Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Surplus/Deficit	-20716	-18356	-19776	-20486	-18542	-19411	-22261	-21483	-21483	-18483	-20753	-19953	-19957	-240177

ASMARA PROJECT

Estimated Sources & Uses of Funds

Sources of Funds

2002 Series Bond Proceeds	\$ 31,500,000
1996 Debt Service Reserve Funds	2,069,749
Subordinate Taxable Loan Proceeds	1,061,000
Total Sources	\$ 34,630,749

Uses of Funds

Refunding Escrow Deposits	\$ 29,528,454
Project Improvements	1,981,340
Initial Deposit to Replacement Reserves	1,018,994
Accrued Interest	62,370
Contingencies	409,078
Costs of Issuance	
Direct Bond Related	307,375
Underwriter's Spread	335,625
Credit Enhancement Costs	566,983
Real Estate Closing Costs	420,530
Total Uses	\$ 34,630,749

Estimated Costs of Issuance of the Bonds

Direct Bond Related

Department Issuance Fee (.25% of Issuance)	\$ 78,750
Department Application Fee	5,000
Bond Counsel (Note 1)	110,000
Bond Counsel Expenses	10,000
Disclosure Counsel (Note 1)	5,000
Department Financial Advisor	45,000
Rating Agency Fee	18,500
Trustee and Trustee Counsel Fees (Note 1)	10,000
OS Printing/Mailing	10,000
Cash Flow Preparation & Verification	6,000
Attorney General Transcript Fee	1,250
Texas Bond Review Board Fee	7,875
Total Direct Bond Related	\$ 307,375

Underwriter's Spread

Underwriter's Fee/Expenses	\$ 280,625
Underwriter's Counsel	55,000
Total Underwriter's Spread	\$ 335,625

ASMARA PROJECT

Credit Enhancement Costs	
Berkshire Acceptance Fee	\$ 4,795
Berkshire Origination Fee	346,775
Berkshire's Counsel (Note 1)	110,800
Freddie Mac Acceptance Fee	34,871
Freddie Mac Counsel (Note 1)	69,742
Total Credit Enhancement Costs	\$ 566,983

Real Estate Closing Costs	
Title, Recording & Survey	\$ 179,030
Third Party Reports	90,000
Borrower's Counsel	105,000
Local Real Estate Counsel	25,000
Miscellaneous	21,500
Total Real Estate Costs	\$ 420,530

Estimated Total Costs of Issuance	\$ 1,630,513
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Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

Note 1: These estimates do not include direct, out-of-pocket expenses (i.e. travel). Actual fees may be based on an hourly rate and the above estimates do not include on-going administrative fees.

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

DATE: December 2, 2002 PROGRAM: 501(c)(3) Bond FILE NUMBER: 1996-003

DEVELOPMENT NAME

Arbor East	Azalea Court	Creek Hollow
Heritage Square	Highlands	Oakbrook
Player's Club	Stone Ridge	Wellington Place

APPLICANT

Name: Asmara Affordable Housing, Inc. **Type:** For Profit Non-Profit Municipal Other
Address: 1090 Vermont Ave. NW #400 **City:** Washington **State:** DC
Zip: 20005 **Contact:** John G Hoffer **Phone:** (202) 789-5300 **Fax:** (202) 789-1990

PRINCIPALS of the APPLICANT

Name: <u>The NHP Foundation</u>	(%): <u>100</u>	Title: <u>Sole Member</u>
Name: <u>Ghebre Selassie Mehreteab</u>	(%): <u>n/a</u>	Title: <u>President/Treasurer</u>
Name: <u>Joseph P Wiedorfer</u>	(%): <u>n/a</u>	Title: <u>Vice President/Secretary</u>
Name: <u>John G Hoffer</u>	(%): <u>n/a</u>	Title: <u>Vice President</u>

GENERAL PARTNER

Name: The NHP Foundation **Type:** For Profit Non-Profit Municipal Other
Address: 1090 Vermont Ave. NW #400 **City:** Washington **State:** DC
Zip: 20005 **Contact:** John G Hoffer **Phone:** (202) 789-5300 **Fax:** (202) 789-1990

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$31,500,000	5.75% estimated	30 yrs	30 yrs
Other Requested Terms: <u>501(c)(3) tax exempt mortgage revenue bonds</u>			
Proposed Use of Funds: <u>Rehabilitation</u>			

OTHER SOURCES of FUNDS

TAX-EXEMPT BOND FINANCING (A Piece)

Source: Berkshire Mortgage Finance, LP **Contact:** Vincent Bergin
Principal Amount: \$31,500,000 **Interest Rate:** To be determined
Additional Information: Federal Home Loan Mortgage Corporation Credit Enhancement
Amortization: 30 yrs **Term:** 30 yrs **Commitment:** None Firm Conditional
Annual Payment: _____ **Lien Priority:** 1st **Date** 11/ 22/ 2002

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

CONVENTIONAL FINANCING (B Piece)

Source: Berkshire Mortgage Finance, LP **Contact:** Vincent Bergin
Principal Amount: \$1,061,000 **Interest Rate:** US treasury plus 270 basis
Additional Information: Used for closing of A piece
Amortization: 30 yrs **Term:** 30 yrs **Commitment:** None Firm Conditional
Annual Payment: _____ **Lien Priority:** 2nd **Date** 11/ 22/ 2002

CONVENTIONAL FINANCING (C Piece)

Source: Berkshire Mortgage Finance, LP **Contact:** Vincent Bergin
Principal Amount: \$4,650,000 **Interest Rate:** To be determined
Additional Information: Line of Credit which will be allowed to have two draws, presumably to fund repairs or acquire additional unrelated properties
Amortization: 30 yrs **Term:** 30 yrs **Commitment:** None Firm Conditional
Annual Payment: _____ **Lien Priority:** 3rd **Date** 11/ 22/ 2002

APPLICANT EQUITY

Amount: \$2,069,749 **Source:** Cash Equity (release of 1996 DSRF)

AS-IS APPRAISED VALUE w/ RENT RESTRICTIONS

Arbour East	<u>\$8,600,000</u>	Date of Valuation:	<u>03/ 19/ 2002</u>
Azalea Court	<u>\$1,925,000</u>	Date of Valuation:	<u>03/ 19/ 2002</u>
Creek Hollow	<u>\$2,990,000</u>	Date of Valuation:	<u>03/ 20/ 2002</u>
Heritage Square	<u>\$4,760,000</u>	Date of Valuation:	<u>03/ 21/ 2002</u>
Highland	<u>\$3,870,000</u>	Date of Valuation:	<u>03/ 19/ 2002</u>
Oakbrook	<u>\$4,400,000</u>	Date of Valuation:	<u>03/ 19/ 2002</u>
Player's Club	<u>\$15,700,000</u>	Date of Valuation:	<u>03/ 21/ 2002</u>
Stone Ridge	<u>\$5,500,000</u>	Date of Valuation:	<u>03/ 20/ 2002</u>
Wellington Place	<u>\$5,980,000</u>	Date of Valuation:	<u>03/ 21/ 2002</u>
Total Appraised Value	<u>\$53,725,000</u>		
Appraiser:	<u>CB Richard Ellis</u>	City:	<u>Dallas/Houston</u> Phone: (713) <u>840-6662</u>

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Applicant listed as owner on tax assessments

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

DEVELOPMENT NAME

Arbor East

PROPERTY LOCATION

Location: 1615 John West Road **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75228

SITE DESCRIPTION

Size: 9.57 acres 416,869 square feet **Zoning/ Permitted Uses:** MF-2 (A)
Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total **# Rental** **# Common** **# of**
Units: 300 **Buildings** 14 **Area Bldgs** 1 **Floors** 3 **Age:** 13 yrs **Vacant:** 26 at 10/ 21/ 2001

Number	Bedrooms	Bathroom	Size in SF
24	1	1	465
84	1	1	534
24	2	1	690
84	2	2	797
84	3	2	896

Net Rentable SF: 214,788 **Av Un SF:** 716 **Common Area SF:** Unknown **Gross Bldng SF** Unknown
Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame, vinyl siding exterior wall covering, wood shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, washer & dryer connections, ceiling fans, tile tub/shower walls, laminated counter tops, central boiler

ON-SITE AMENITIES

Laundry room, swimming pool, equipped children's play area, picnic area, perimeter fencing and intrusion alarms

Uncovered Parking: 434 spaces **Carports:** n/a spaces **Garages:** n/a spaces

VALUATION INFORMATION

ASSESSED VALUE

Land: \$373,340 **Assessment for the Year of:** 2002
Building: \$5,233,960 **Valuation by:** Dallas Central Appraisal District
Total Assessed Value: \$5,607,300 **Tax Rate:** 2.80283 (currently tax exempt)

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

DEVELOPMENT NAME

Azalea Court

PROPERTY LOCATION

Location: 1721 John West Road **QCT** **DDA**

City: Dallas **County:** Dallas **Zip:** 75228

SITE DESCRIPTION

Size: 2.14 acres 93,218 square feet **Zoning/ Permitted Uses:** Multifamily

Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 57 **# Rental Buildings:** 4 **# Common Area Bldgs:** 0 **# of Floors:** 3 **Age:** 6 yrs **Vacant:** 5 at 10/ 21/ 2001

Number	Bedrooms	Bathroom	Size in SF
4	1	1	700
28	1	1	710
4	1	1	900
7	2	2	1,000
14	2	1.5	1,012

Net Rentable SF: 47,488 **Av Un SF:** 832 **Common Area SF:** Unknown **Gross Bldng SF:** Unknown

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame, masonry/vinyl siding exterior, wood shingle roof

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower walls, washer & dryer connections, ceiling fans, laminated counter tops, 57 fireplaces, boilers

ON-SITE AMENITIES

Swimming pool, perimeter fencing, monitored security

Uncovered Parking: 96 spaces **Carpports:** n/a spaces **Garages:** n/a spaces

VALUATION INFORMATION

ASSESSED VALUE

Land: \$93,360 **Assessment for the Year of:** 2002

Building: \$1,190,260 **Valuation by:** Dallas Central Appraisal District

Total Assessed Value: \$1,283,620 **Tax Rate:** 2.80283 (currently tax exempt)

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

DEVELOPMENT NAME

Creek Hollow

PROPERTY LOCATION

Location: 6218 Finbro Drive **QCT** **DDA**
City: Fort Worth **County:** Tarrant **Zip:** 76133

SITE DESCRIPTION

Size: 6.47 acres 281,833 square feet **Zoning/ Permitted Uses:** Multifamily
Flood Zone Designation: Building in Zone AE **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total **# Rental** **# Common** **# of**
Units: 120 **Buildings** 9 **Area Bldgs** 1 **Floors** 2 **Age:** 20 yrs **Vacant:** 1 at 10/ 21/ 2001

Number	Bedrooms	Bathroom	Size in SF
40	1	1	550
32	1	1	780
24	2	1	941
24	2	2	974

Net Rentable SF: 92,920 **Av Un SF:** 774 **Common Area SF:** Unknown **Gross Bldng SF** Unknown
Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame, masonry veneer/vinyl siding exterior

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Laundry room, swimming pool, equipped children's play area, picnic area, perimeter fencing

Uncovered Parking: 168 spaces **Carports:** n/a spaces **Garages:** n/a spaces

VALUATION INFORMATION

ASSESSED VALUE

Land: \$310,104 **Assessment for the Year of:** 2002
Building: \$1,840,065 **Valuation by:** Tarrant Appraisal District
Total Assessed Value: \$2,150,169 **Tax Rate:** 3.141365 (currently tax exempt)

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DEVELOPMENT NAME

Heritage Square

PROPERTY LOCATION

Location: 4753 Duncanville Road **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75236

SITE DESCRIPTION

Size: 6.32 acres 275,299 square feet **Zoning/ Permitted Uses:** MF-2 (A)
Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 112 **# Rental Buildings:** 9 **# Common Area Bldgs:** 0 **# of Floors:** 2 **Age:** 14 yrs **Vacant:** 1 at 10/ 21/ 2001

Number	Bedrooms	Bathroom	Size in SF
31	1	1	663
49	2	2	936
32	3	2	1,059

Net Rentable SF: 100,305 **Av Un SF:** 896 **Common Area SF:** Unknown **Gross Bldng SF** Unknown
Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame, masonry veneer/stucco/wood siding exterior, fiberglass shingle roof

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Swimming pool, equipped children's play area, picnic areas

Uncovered Parking: 224 spaces **Carports:** n/a spaces **Garages:** n/a spaces

VALUATION INFORMATION

ASSESSED VALUE

Land: \$283,850 **Assessment for the Year of:** 2002
Building: \$3,639,010 **Valuation by:** Dallas Central Appraisal District
Total Assessed Value: \$3,922,860 **Tax Rate:** 2.9653 (currently tax exempt)

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
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DEVELOPMENT NAME

Highlands

PROPERTY LOCATION

Location: 2359 Highland Road **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75228

SITE DESCRIPTION

Size: 5.87 acres 255,697 square feet **Zoning/ Permitted Uses:** CR-D
Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 136 **# Rental Buildings:** 11 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** 17 yrs **Vacant:** 4 at 10/ 21/ 2001

Number	Bedrooms	Bathroom	Size in SF
44	1	1	506
32	1	1	625
41	2	2	889
19	2	2	1,036

Net Rentable SF: 98,397 **Av Un SF:** 724 **Common Area SF:** Unknown **Gross Bldng SF** Unknown
Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame, masonry veneer/wood siding exterior, composition shingle/fiberglass shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Community room, laundry room, swimming pool, picnic area, perimeter fencing, monitored security

Uncovered Parking: 284 spaces **Carpports:** n/a spaces **Garages:** n/a spaces

VALUATION INFORMATION

ASSESSED VALUE

Land: \$383,840 **Assessment for the Year of:** 2002
Building: \$2,041,480 **Valuation by:** Dallas Central Appraisal District
Total Assessed Value: \$2,425,320 **Tax Rate:** 2.80283 (currently tax exempt)

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DEVELOPMENT NAME

Oakbrook

PROPERTY LOCATION

Location: 5353 DeSoto Avenue **QCT** **DDA**

City: Houston **County:** Harris **Zip:** 77091

SITE DESCRIPTION

Size: 7.2 acres 313,632 square feet **Zoning/ Permitted Uses:** n/a (Houston)

Flood Zone Designation: Building in Zone AE **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 222 **# Rental Buildings:** 17 **# Common Area Bldgs:** 2 **# of Floors:** 2 **Age:** 21 yrs **Vacant:** 53 at 10/ 21/ 2001

Number	Bedrooms	Bathroom	Size in SF
56	1	1	553
54	1	1	670
20	1	1.5	860
56	2	1.5	860
36	2	2	860

Net Rentable SF: 163,468 **Av Un SF:** 736 **Common Area SF:** Unknown **Gross Bldng SF:** Unknown

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame, masonry veneer/wood siding exterior, built-up rock roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Community room, laundry rooms, swimming pool, equipped children's play area, perimeter fencing

Uncovered Parking: 308 spaces **Carpports:** n/a spaces **Garages:** n/a spaces

VALUATION INFORMATION

ASSESSED VALUE

Land: \$0 **Assessment for the Year of:** 2002

Building: \$0 **Valuation by:** Harris County Appraisal District

Total Assessed Value: \$0 **Tax Rate:** 3.09927 (currently tax exempt)

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DEVELOPMENT NAME

Player's Club

PROPERTY LOCATION

Location: 2525 Player's Court **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75287

SITE DESCRIPTION

Size: 17.17 acres 747,925 square feet **Zoning/ Permitted Uses:** MF-2 (A)
Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total **# Rental** **# Common** **# of**
Units: 320 **Buildings** 22 **Area Bldgs** 2 **Floors** 2 **Age:** 16 yrs **Vacant:** 12 at 10/ 21/ 2001

Number	Bedrooms	Bathroom	Size in SF
97	1	1	550
96	1	1	650
48	1	1	750
32	2	1	850
47	2	2	1,050

Net Rentable SF: 228,300 **Av Un SF:** 713 **Common Area SF:** Unknown **Gross Bldng SF** Unknown
Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame, masonry veneer/wood siding exterior, composition shingle/fiberglass shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Community room, laundry rooms, swimming pool, sport courts, fitness center, walk trail, grills

Uncovered Parking: 516 spaces **Carports:** n/a spaces **Garages:** n/a spaces

VALUATION INFORMATION

ASSESSED VALUE

Land: \$2,096,660 **Assessment for the Year of:** 2002
Building: \$7,112,650 **Valuation by:** Dallas Central Appraisal District
Total Assessed Value: \$9,209,310 **Tax Rate:** 2.4222 (currently tax exempt)

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DEVELOPMENT NAME

Stone Ridge

PROPERTY LOCATION

Location: 600 East Arkansas Lane QCT DDA
City: Arlington **County:** Tarrant **Zip:** 76014

SITE DESCRIPTION

Size: 12.64 acres 550,598 square feet **Zoning/ Permitted Uses:** MF-14
Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 204 **# Rental Buildings:** 30 **# Common Area Bldgs:** 3 **# of Floors:** 2 **Age:** 31 yrs **Vacant:** 4 at 10/ 21/ 2001

Number	Bedrooms	Bathroom	Size in SF
80	1	1	710
96	2	2	990
12	2	1.5	1,200
16	3	2	1,290

Net Rentable SF: 186,880 **Av Un SF:** 916 **Common Area SF:** Unknown **Gross Bldng SF:** Unknown
Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame, masonry veneer/wood siding exterior, asphalt shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Community room, laundry rooms, swimming pool, equipped children's play area, monitored security

Uncovered Parking: 408 spaces **Carports:** n/a spaces **Garages:** n/a spaces

VALUATION INFORMATION

ASSESSED VALUE

Land: \$819,219 **Assessment for the Year of:** 2002
Building: \$3,105,261 **Valuation by:** Tarrant Appraisal District
Total Assessed Value: \$3,924,480 **Tax Rate:** 2.903665 (currently tax exempt)

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DEVELOPMENT NAME

Wellington Place

PROPERTY LOCATION

Location: 9940 Forest Lane **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75243

SITE DESCRIPTION

Size: 4.93 acres 214,751 square feet **Zoning/ Permitted Uses:** MF-1 (A)
Flood Zone Designation: Unknown **Status of Off-Sites:** Fully Improved

DESCRIPTION of IMPROVEMENTS

Total Units: 164 **# Rental Buildings:** 10 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** 18 yrs **Vacant:** 13 at 10/ 21/ 2001

Number	Bedrooms	Bathroom	Size in SF
36	0	1	544
36	1	1	637
4	1	1	700
37	1	1	742
16	2	1.5	873
8	2	2	937
23	2	2	1,102

Net Rentable SF: 122,380 **Av Un SF:** 746 **Common Area SF:** Unknown **Gross Bldng SF** Unknown
Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame, masonry veneer/wood siding exterior, composition shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, washer & dryer connections, ceiling fans, laminated counter tops, fireplaces

ON-SITE AMENITIES

Community room, laundry room, swimming pool, Jacuzzi

Uncovered Parking: n/a spaces **Carports:** 57 spaces **Garages:** n/a spaces

VALUATION INFORMATION

ASSESSED VALUE

Land: \$644,220 **Assessment for the Year of:** 2002
Building: \$3,883,700 **Valuation by:** Dallas Central Appraisal District
Total Assessed Value: \$4,527,920 **Tax Rate:** 3.0234 (currently tax exempt)

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REVIEW of PREVIOUS UNDERWRITING REPORTS

All of the properties received funding through the multifamily 501(c)(3) bond program in 1996.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: The proposed development consists of nine existing apartment complexes located in the cities of Dallas, Fort Worth, Houston and Arlington.

- **Arbour East** was built in 1985 and consists of 14 buildings with 300 one- and two-bedroom units.
- **Azalea Courts** was built in 1984 and consists of 4 buildings with 57 one- and two-bedroom units.
- **Creek Hollow** was built in 1981 and consists of 10 buildings with 120 one- and two-bedroom units.
- **Heritage Square** was built in 1989 and consists of 10 buildings with 112 one-, two-, and three-bedroom units.
- **Highlands** was built in 1984 and consists of 11 buildings with 136 one-, two-, and three-bedroom units.
- **Oakbrook** was built in 1980 and consists of 16 buildings with 222 one- and two-bedroom units.
- **Player's Club** was built in 1985 and consists of 21 buildings with 320 one- and two-bedroom units.
- **Stone Ridge** was built in 1970 and consists of 36 buildings with 204 one-, two-, and three-bedroom units.
- **Wellington Place** was built in 1983 and consists of ten buildings with 164 one- and two-bedroom units.

Existing Subsidies/Restrictions: All of the properties, except **Azalea Courts**, have units that are restricted under both the AHDP and 501(c)(3) Bond programs. According to the submitted rent schedules, 674 units (41% of the total) have rents restricted by 50% of AMI, 160 units (10%) have rents restricted by 60% of AMI, 415 units (80%) have rents restricted by 80% of AMI, and the remaining 386 units (24%) are either market rate units with a portion restricted by 140% of AMI or units with unspecified restrictions.

Development Plan: According to the appraiser, the overall quality of **Azalea Courts, Creek Hollow, Heritage Square, Highlands, Oakbrook, Player's Club, Stone Ridge** and **Wellington Place** is considered to be good for their neighborhoods and age. However, several minor items of deferred maintenance were listed in the appraisal for **Azalea Courts** with an estimated cost of \$23,000, including: miscellaneous capital improvements, HVAC, appliances, asphalt/concrete, floor covering, cabinets/countertops, pool, electric/lighting, fencing, boiler, plumbing, maintenance equipment, window treatments, grounds/landscaping, and interior renovations. Several minor items of deferred maintenance were also listed in the appraisal for **Highlands** with an estimated cost of \$41,100, including: miscellaneous capital improvements, HVAC, appliances, asphalt/concrete, floor covering, cabinets/countertops, pool, electric/lighting, fencing, boiler, plumbing, maintenance equipment, window treatments, grounds/landscaping, and interior renovations.

The Applicant has submitted lists of needed capital items for each property totaling \$3,000,332, including:

- **Arbour East:** roofing, exterior wood, exterior paint, landscape, interior upgrades and "range queens" for (\$397,200);
- **Azalea Courts:** exterior siding, wood, exterior paint, landscape, sprinkler, interior upgrades, and range queens for (\$190,488);
- **Creek Hollow:** asphalt repairs/restripe, exterior paint, interior upgrades, landscape, and range queens for (\$120,210);
- **Heritage Square:** replacement of crossties with pavestones, 39 new chimney caps, exterior paint, wood, exterior lighting, fencing, and range queens for (\$133,088);
- **Highlands:** office expansion, access gates, playground, landscape, interior upgrades, exterior paint, and range queens for (\$242,544);
- **Oakbrook;** concrete steps, siding/trim, roofing, boiler, range queens, interior upgrades and landscape for (\$406,338);
- **Player's Club:** exterior paint, exterior wood, balcony, exterior lighting, retaining walls, and

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range queens for (\$299,780);

- **Stone Ridge:** roofing, foundation, brick, sewer line, entry doors, landscape, drainage, sprinkler system, boiler system, retaining walls, interior upgrades, and range queens for (\$802,976); and
- **Wellington Place:** retaining walls, exterior paint, wood, exterior lighting, grading, balcony, interior upgrades, and range queens for (\$407,708).

According to a representative of the Applicant, the rehabilitation that is planned will not result in displacement of current residents. The cost breakdown submitted at application indicates total hard costs of \$3M identified above to be placed in three separate escrow accounts: \$1,471,219 will be placed in a Repair Escrow and used for immediate repairs required by Freddie Mac and the owner; an initial deposit of \$1,018,994 will be placed in a Replacement Reserve Escrow and used for other repairs over a two year period; and \$510,121 will be placed in a Capital Improvement Escrow for repairs the Applicant has indicated are needed immediately but were not reflected in the Freddie Mac required repairs. According to bond counsel, bond proceeds must be spent within a three year period. The Schedule of Repairs attached to the Repair Escrow Agreement required by Freddie Mac indicated the following items:

- **Arbour East** - exterior wood repair, paint-exterior, walkway repair, install storm drain lines, irrigation system repair, retaining wall repair;
- **Azalea** - fence/wood trim, paint-exterior, siding repair, erosion repair, irrigation system repair, balcony support building 4;
- **Creek Hollow** - Asphalt paving repair, balcony repair, exterior paint; Heritage Square: chimney repair, exterior wood repair, replace fire sprinkler head;
- **Highlands** - gutters/downspouts, repair damaged concrete, driveways, replace damaged siding and trim, restripe parking lot;
- **Oakbrook** - siding and trim replacement, concrete pavement repair, replace motorized entry gate, replace boiler room doors;
- **Players Club** - concrete pavement, install storm drain lines, renovate swimming pool, balcony repairs, exterior stair repair;
- **Stoneridge** - sewerline replacement, asphalt pavement repair, boiler repair, pond drainage issue, sprinkler system, pool repairs, foundation repairs, brick repair, entry and patio slabs, AC units in laundry rooms, concrete walkway repair;
- **Wellington** - retaining wall replacement, balcony repair, stair, landing, walkway repairs, siding repair.

The Schedule of Capital Improvements attached to the Capital Improvements Escrow Agreement indicated the following repair items in various developments: Wood Siding and Trim Repair/Replacement, Exterior Painting, Roof Replacement and/or Major Repairs, Chimney Repairs, Balcony and Exterior Stair Repairs, Foundation Repairs; Fire Safety Equipment (Sprinkler) Repair/Replacement, Central Boiler Repair/Replacement, Unit HVAC Replacement, Sewer Line Repair/Replacement; Appliance Replacement, Carpet, Vinyl & Ceramic Flooring, Unit Entry Doors, Window Replacement, Cabinets & Countertops; Site Grading, Drainage and Erosion Repairs, Retaining Walls, Irrigation System, Walkway Repairs, Driveway and Parking Repairs (Asphalt & Concrete Pavement), Site Lighting, Fencing, Playground Improvements, Management Office/Clubhouse Renovations. The capital items attached to the Replacement Reserve Agreement includes: carpet/vinyl, flooring, window treatments, roofs, furnaces/boilers, air conditioners, ovens/ranges, refrigerators, dishwashers, water heaters, and garbage disposals.

The required repairs were pursuant to the series of third party draft property condition reports, dated April 10, 2002, prepared and signed by a representative of EMG Corporation, provided for each of the developments. The summaries included not only items that need immediate attention, but also the anticipated need over a twelve year period. The summaries totaled to \$5,791,299 and specifically indicate the following additional long term needs:

- **Arbour East** indicates a total cost of \$1,028,953 for physical needs including: parking, paving, and sidewalks; erosion control; landscaping and topography; general site improvements; roofing; exterior walls; boilers; interior finishes; kitchen appliances; and HVAC.
- **Azalea Courts** indicates a total cost of \$212,163 for physical needs including: parking, paving, and sidewalks; erosion control; landscaping and topography; general site improvements; roofing; exterior walls; patio, terrace and balconies; interior finishes; kitchen appliances; and HVAC.

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- **Creek Hollow** indicates a total cost of \$410,260 for physical needs including: parking, paving, and sidewalks; general site improvements; exterior walls; exterior windows and doors; carpeting in common areas, entrances and corridors; interior finishes; kitchen appliances; HVAC; and plumbing.
- **Heritage Square** indicates a total cost of \$397,088 for physical needs including: restripe; resurface; landscape and topography; repaint exterior walls; replace fire protection; interior finishes; kitchen appliances; HVAC; and plumbing.
- **Highlands** indicates a total cost of \$434,895 for physical needs including: parking, paving, and sidewalks; landscaping and topography; general site improvements; roofing; exterior walls; exterior windows and doors; building plumbing and domestic hot water; interior finishes; kitchen appliances; HVAC; and plumbing.
- **Oakbrook** indicates a total cost of \$700,291 for physical needs including: parking, paving, and sidewalks; general site improvements; exterior walls; exterior and interior stairs; exterior windows and doors; carpet common areas, entrances and corridors; interior finishes; kitchen appliances; and HVAC.
- **Player's Club** indicates a total cost of \$977,680 for physical needs including: parking, paving, and sidewalks; ponding; general site improvements; roofing; exterior walls; exterior and interior stairs; building plumbing and domestic hot water; interior finishes; kitchen appliances; and HVAC.
- **Stone Ridge** indicates a total cost of \$1,094,480 for physical needs including: utilities; parking, paving, and sidewalks; storm sewer, drainage systems, and erosion control; general site improvements; foundations; exterior walls; exterior and interior stairs; exterior windows and doors; patio, terrace and balconies; common areas, entrances and corridors; building HVAC; building plumbing and domestic hot water; interior finishes; kitchen appliances; and HVAC.
- **Wellington Place** indicates a total cost of \$535,484 for physical needs including: parking, paving, and sidewalks; landscaping and topography; general site improvements; roofing; exterior walls; exterior and interior stairs; exterior windows and doors; patio, terrace and balconies; common areas, entrances and corridors; building plumbing and domestic hot water; interior finishes; kitchen appliances; and HVAC.

Supportive Services: The Applicant will be required to provide supportive services under the 501(c)(3) bond program. Detailed descriptions of the supportive services programs were not provided in the information submitted with the application.

Schedule: The Applicant anticipates repairs to begin in January of 2003 and to be completed in a 12 month time frame.

POPULATIONS TARGETED

Income Set-Aside: All of the properties, except **Azalea Courts**, have units that are restricted under both the AHDP and 501(c)(3) Bond programs. The properties will continue to be restricted under these programs. For purposes of this analysis, it is assumed that 674 units (41% of the total) have rents restricted by 50% of AMI, 160 units (10%) have rents restricted by 60% of AMI, 415 units (80%) have rents restricted by 80% of AMI, and the remaining 386 units (24%) are market rate units.

In addition, the submitted draft financing commitment dated October 31, 2002 indicates that the developments are restricted by two land use restriction agreements due to the sale through the Resolution Trust Company and the existing financing through TDHCA. Safe Harbor guidelines for income restrictions for Low Income Housing Groups seeking Tax Exemption, as defined in section 501(c)(3) of the Internal Revenue Code or as negotiated by the Applicant with the IRS at the time of purchase, must also be met.

Special Needs Set-Asides: The LURA on each property requires 5% of the units to be set-aside for special needs, which would include physically challenged individuals and the elderly, 60 years or older.

- **Arbour East** is required to set-aside 15 units, but currently has 17 units occupied by special needs households.
- **Azalea Court** is required to set-aside three units, but currently has four units occupied by special needs households.
- **Creek Hollow** is required to set-aside six units, but currently has 16 units occupied by special needs

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households.

- **Heritage Square** is required to set-aside six units, but currently has nine units occupied by special needs households.
- **Highlands** is required to set-aside seven units, but currently has 26 units occupied by special needs households.
- **Oakbrook** is required to set-aside 11 units and currently has 11 units occupied by special needs households.
- **Player's Club** is required to set-aside 16 units, but currently has 29 units occupied by special needs households.
- **Stone Ridge** is required to set-aside 11 units, but currently has 47 units occupied by special needs households.
- **Wellington Place** is required to set-aside nine units, but currently has 22 units occupied by special needs households.

MARKET HIGHLIGHTS

Although market studies for the nine properties were not provided and are not required under program rules, the Applicant did submit appraisals prepared by CB Richard Ellis that contained the following information:

Arbour East is located in east Dallas, seven miles from downtown, in a neighborhood bound by Garland Road to the north, Military Parkway/Haskell Avenue to the south, Big Town Boulevard/LaPrada Drive to the east, and East Grand/Garland Road corridors to the west. The average occupancy level in the submarket was 93.3% and the average rental rate was \$0.809 per square foot. The neighborhood experienced positive absorption of 400 units in 2001. The overall value conclusion based on restricted rents under the 501(c)(3) of the Internal Revenue Code of 1986 Community Housing Development Organization, \$0 real estate tax expense, not including water/sewer reimbursement income, and assuming estimated cost to cure deferred maintenance will be completed within 30-90 days was \$1,925,000 as of March 20, 2002.

Azalea Court is located in east Dallas, seven miles from downtown, in a neighborhood bound by Garland Road to the north, Military Parkway/Haskell Avenue to the south, Big Town Boulevard/LaPrada Drive to the east, and East Grand/Garland Road corridors to the west. The average occupancy level in the submarket was 93.3% and the average rental rate was \$0.809 per square foot. The neighborhood experienced positive absorption of 400 units in 2001. The overall value conclusion based on restricted rents under the 501(c)(3) of the Internal Revenue Code of 1986 Community Housing Development Organization, \$0 real estate tax expense, not including water/sewer reimbursement income, and assuming estimated cost to cure deferred maintenance will be completed within 30-90 days was \$1,925,000 as of March 20, 2002.

Creek Hollow is located in southwest Tarrant County, approximately nine miles southeast of the Fort Worth central business district, in a neighborhood bound by a three-mile radius. The average occupancy level in the submarket was 93.5% and the average rental rate was \$0.80 per square foot. The neighborhood experienced negative absorption of 120 units in 2001. The overall value conclusion based on restricted rents under the 501(c)(3) of the Internal Revenue Code of 1986 Community Housing Development Organization and real estate tax abatement of 100% was \$2,990,000 as of March 20, 2002.

Heritage Square is located in southwest Dallas in a neighborhood bound by Kiest Road to the north, Interstate 20 to the south, South Cockrell Hill Road to the east, and Route 408 to the west. The average occupancy level in the submarket was 94.4% and the average rental rate was \$0.738 per square foot. The neighborhood experienced positive absorption of 60 units in 2001. As of fourth quarter 2001, according to MP/F Research, there were no new apartment properties under construction in the submarket. Households represent the basic unit of demand in the housing market. According to the data, the subject's neighborhood is experiencing strong increases in population and households. The overall value conclusion based on restricted rents under the 501(c)(3) of the Internal Revenue Code of 1986 Community Housing Development Organization and real estate tax abatement of 100% was \$4,760,000 as of March 21, 2002.

Highlands is located in eastern Dallas, six miles from downtown, in a neighborhood bound by Garland Road to the north, Military Parkway/Haskell Avenue to the south, Big Town Boulevard/LaPrada Drive to the east, and East Grand/Garland Road corridors to the west. The average occupancy level in the submarket was 93.3% and the average rental rate was \$0.809 per square foot. The neighborhood experienced positive absorption of 400 units in 2001. The overall value conclusion based on restricted rents under the 501(c)(3) of

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the Internal Revenue Code of 1986 Community Housing Development Organization, real estate tax abatement of 100%, not including water/sewer reimbursement income, and assuming estimated cost to cure deferred maintenance will be completed within 30-90 days was \$3,870,000 as of March 19, 2002.

Oakbrook is located in Houston, 12 miles northwest of downtown, in a neighborhood bound by West Little York Road to the north, Northwest Freeway to the south, Hollister Road to the east, and TC Jester Boulevard to the west. The average occupancy level in the submarket was 89.4% and the average rental rate was \$0.664 per square foot. The neighborhood experienced negative absorption of 136 units in the 12 month period prior to March 2002. As of March 2002, according to Market TRAC, there are 2,762 units under construction in the Houston area, and no units within the subject's submarket. The overall value conclusion based on restricted rents under the 501(c)(3) of the Internal Revenue Code of 1986 Community Housing Development Organization and a real estate tax abatement of 100% was \$4,400,000 as of March 19, 2002.

Player's Club is located in north Dallas, 20 miles north of downtown, in a neighborhood bound by Frankford Avenue to the north, Denton/Dallas County line to the south, Denton/Collin County line to the east, and North Josey Lane to the west. The average occupancy level in the submarket was 93.9% and the average rental rate was \$0.855 per square foot. The neighborhood experienced negative absorption of 90 units in 2001. As of the fourth quarter 2001, according to MP/F Research, there was a single property under construction in the submarket with 270 units due in May 2002. Households represent the basic unit of demand in the housing market. According to the data, the subject's neighborhood is experiencing strong increases in population and households. The overall value conclusion based on restricted rents under the 501(c)(3) of the Internal Revenue Code of 1986 Community Housing Development Organization and a real estate tax abatement of 60% plus replacement reserves was \$15,700,000 as of March 21, 2002.

Stone Ridge is located in Arlington, southeast Tarrant County in a neighborhood bound by a three-mile radius. The average occupancy level in the submarket was 95.1% and the average rental rate was \$0.75 per square foot. There are limited vacant tracts of multifamily-zoned land in the immediate area committed to multifamily housing. Additionally, future development is expected to slow because demand is lagging additions to supply. Given the current economic climate and low interest rate, we do not foresee much new development in the next two years. The overall value conclusion based on restricted rents under the 501(c)(3) of the Internal Revenue Code of 1986 Community Housing Development Organization and a real estate tax abatement of 100% was \$5,500,000 as of March 20, 2002.

Wellington Place is located in northeast Dallas in a neighborhood bound by Beltline Road to the north, LBJ Freeway to the south, Plano Road to the East and Greenville Avenue to the West. The average occupancy level in the submarket was 91.4% and the average rental rate was \$0.793 per square foot. The neighborhood experienced negative absorption of 420 units in 2001. As of the fourth quarter 2001, according to MP/F Research, there were no new apartment properties under construction in the submarket. Households represent the basic unit of demand in the housing market. According to the data, the subject's neighborhood is experiencing strong increases in population and households. The overall value conclusion based on restricted rents under the 501(c)(3) of the Internal Revenue Code of 1986 Community Housing Development Organization and a real estate tax abatement of 60% was \$5,980,000 as of March 21, 2002.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The developments are located in established neighborhoods within the cities of Dallas, Fort Worth, Houston and Arlington. Arlington is a suburb of Fort Worth.

Population: The estimated 2000 population of the City of Dallas was 1,088,803 and is expected to increase by 1% to approximately 1,145,851 by 2005. The estimated 2000 population of the City of Fort Worth was 502,428 and is expected to increase by 1.6% to approximately 545,205 by 2005. The estimated 1990 population of the City of Houston was 1,630,553 and 1,953,631 in 2000, an increase of 1.8% per year.

Adjacent Land Uses: **Arbour East's** neighborhood consists of a combination of commercial, industrial, residential and multifamily land uses. **Azalea Courts'** neighborhood consists of a combination of commercial, industrial, residential and multifamily land uses. The immediate area surrounding **Creek Hollow** is an established area of development, consisting primarily of single family and multifamily residential uses, together with retail, office/flex and light industrial properties. Much of the development occurred during the 1970s through 1990s. The immediate area surrounding **Heritage Square** is an area of established multifamily and single family residential development, consisting primarily of housing built

during the 1970s and 1980s. The **Highlands'** neighborhood consists of a combination of commercial, industrial, residential and multifamily land uses. The immediate area surrounding **Oakbrook** is a newer area of development, consisting primarily of industrial and multifamily residential uses with much of the development being built during the 1970s and 1980s. The immediate area surrounding **Player's Club** is a newer area of development, consisting primarily of retail, garden apartment and single family properties with much of the development being built during the 1990s. The immediate area surrounding **Stone Ridge** is an established area of development, consisting primarily of single family and multifamily residential uses, together with retail, office/flex and light industrial properties. Much of the development had been built during the 1960s through 1980s. The immediate area surrounding **Wellington Place** is an area of established multifamily and single family residential development, consisting primarily of housing built during the 1960s and 1980s. Adjacent land uses include apartments to the north, east, south and west.

Access: The Dallas/Fort Worth Metroplex is located at the hub of four interstate highways. Interstate 35 and Interstate 45 provide north-south access, while Interstate 20 and Interstate 30 provide east-west access. Major freeways in the City of Houston include IH-10, IH-45, US 59, Loop 610, Beltway 8 (Sam Houston Tollway), Hardy Toll Road, SH 288, SH 225, and US 90.

Public Transportation: Public transportation is provided in Dallas, Fort Worth and Houston. However, the proximity of bus/rail stops to the subject properties is unknown.

Special Adverse Site Characteristics: Although the majority of the site on which **Creek Hollow** is located is within Zone X, a portion contained within and around the drainage easement is located within Zone A; areas of the 100-year flood where flood hazard factors have not been determined. The Applicant has indicated a building is located in Zone AE. **Oakbrook** also has a building located within Zone AE of the floodplain. Certificates of liability insurance for flood were provided for both apartment complexes. **Creek Hollow's** coverage includes \$250,000 for the building and only \$100,000 for contents, while **Oakbrook's** coverage includes \$100,000 for the building and only \$10,000 for contents. It would be prudent for the Applicant to explore options for additional insurance for the ground floor tenants' personal property in these buildings located in the flood hazard areas (Zone AE) however the Department currently has no rule requiring such insurance for preservation transactions.

Site Inspection Findings:

TDHCA staff performed a site inspection of **Arbor East** on June 4, 2002 and found the property to be poor. Comments indicate there are numerous items that could use attention, including: entry gates that do not shut completely; damaged exterior wood, trim and siding; leaning chimneys; water damaged balconies; damaged or missing window screens and mini-blinds; missing exterior dry vent covers; missing conduits from exterior wiring; damaged A/C condensers; block retaining walls that have been partially dismantled; steel stair stringers and railings requiring painting; broken exterior building light fixtures; playground equipment with missing pieces; and damaged concrete drive with exposed rebar. Management indicated that interior problems include: water leaks and dripping faucets; damaged cabinets; outdated refrigerators; damaged vinyl flooring; and dirty air ducts and vents.

TDHCA staff performed a site inspection of **Azalea Court** on June 4, 2002 and found the property to be acceptable. Comments were limited to tenant complaints about the existing cabinetry.

TDHCA staff performed a site inspection of **Creek Hollow** on June 5, 2002 and found the property to be acceptable. A property maintenance supervisor indicated items in most need of repair or replacement include: refrigerators and dishwashers; cabinet doors; interior and exterior doors; exterior woodwork; roofing; exterior lighting; exterior stairs; vinyl siding; water drainage; and drives.

TDHCA staff performed a site inspection of **Heritage Square** on June 4, 2002 and found the property to be acceptable. Staff noted the properties signage is missing, railroad ties serving as retaining walls need to be replaced, and exterior wood trim needs repair or replacement.

TDHCA staff performed a site inspection of **The Highlands** on June 5, 2002 and found the property to be acceptable. Management indicates the most frequent tenant complaints are about water heaters and major appliances. Staff noted the A/C units are old and near the end of their useful life, exterior walls and trim need some repair or replacement, gutters and downspouts also need repair or replacement, concrete driveways and ramps need repair or replacement and sections of the perimeter fencing have been removed for access to the shopping center directly from the property.

TDHCA staff performed a site inspection of **Oakbrook** on June 5, 2002 and found the property to be

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acceptable. Staff noted the parking lot needs repair, some of the wood steps need to be replaced, and roofing repairs are needed.

TDHCA staff performed a site inspection of **The Player's Club** on June 4, 2002 and found the property to be acceptable. From photographs it appears that some of the A/C units need to be replaced.

TDHCA staff performed a site inspection of **Stone Ridge** on June 5, 2002. A property employee indicated the interiors need carpet, paint and appliances, while exterior needs foundation and driveway repair as well as improved lighting. Staff noted missing downspouts, broken exterior lighting, damaged exterior wood trim, uneven roof surfaces, damage to the drives, cracked foundations, cracked exterior wall, aged A/C condensing units, and damaged balcony support.

TDHCA staff performed a site inspection of **Wellington Place** on June 4, 2002 and found the property to be acceptable. Staff noted that only the exterior was inspected and the property seemed to be in similar condition as compared to the other properties in this group.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

Phase I Environmental Site Assessment (ESA) reports dated March and April 2002 were prepared by Blackstone Consulting and contained the following recommendation for eight of the nine properties: "In accordance with Freddie Mac Multi-family Seller/Service Phase I EA Guidelines, the site is Acceptable for Environmental Hazards Management. No further environmental investigation or preparation of O&M Programs is recommended."

However, the ESA report on **Stone Ridge** Apartments concludes, "In accordance with Freddie Mac Multi-Family Seller/Service Phase I EA Guidelines, the site requires an O&M Plan for asbestos and LBP. Except for the above mentioned ACM and LBP O&M Plans, no further environmental investigation or preparation of other O&M Programs is recommended." Therefore, receipt, review and acceptance of Operation and Management (O&M) Plans for the Asbestos Containing Materials (ACM) and Lead Based Paint (LBP) found at Stone Ridge Apartments is a condition of this report.

OPERATING PROFORMA ANALYSIS

Income: The Underwriter reviewed and analyzed each operating proforma individually but since the bonds will be cross pledged believes the composite analysis gives the best picture of the expected overall performance of the transaction. The Applicant's potential gross income figure is \$548K, or 5%, less than the Underwriter's estimate. In accordance with underwriting guidelines, the Underwriter's estimate for net rents is based on the lesser of the Applicant-stated income restriction and the market rent indicated in the submitted appraisals for all units restricted at or below 50% of AMI. These differences are shown on the attached rent schedule which reflects an average rent of \$517 based on the Applicant rents but \$541 and \$547 based upon the Underwriter's average estimate and the market rent estimates, respectively. In addition, the Applicant's vacancy and collection loss assumptions are slightly higher than the Department guidelines but are based upon historical experience. On the other hand, the Applicant's secondary income assumptions are higher than the Department guidelines and offset some of the differences in anticipated net rents.

Expenses: The development's actual total operating expense for 2001 is \$926K, or 18%, higher than the Underwriter's estimate for 2003. In addition to the time frame differences, this historically higher \$3,653 per unit expense can be attributed to the inclusion of property taxes in the Applicant's expenses for the nine properties. The Applicant has provided evidence confirming property tax exemption for the Applicant and each of the properties based upon the Applicant's current standing as a CHDO. In addition, the Underwriter believes that annual repair and maintenance costs should decrease once the proposed repairs are accomplished and with the creation of the replacement reserve. Historically this reserve amount has been funded at \$300 per unit per year, which is also consistent with the Department's Underwriting guidelines for existing developments. Berkshire and Freddie Mac are requiring a lower annual reserve deposit, due to the significant prefunding of the reserve for repairs escrow account. In addition Freddie Mac will require that the repair reserve be re-evaluated and recapitalized in ten years based on new needs assessments of each property at that time.

Conclusion: Due to the difference in potential net rent calculations and operating expenses, the Applicant's net operating income is \$1.4M or 28% less than the Underwriter's estimate. Without the difference in property taxes however this difference reduces to \$520 or 11%. Both the Applicant's and the Underwriter's

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proformas indicate that the development is able to service the proposed debt amount at the cap rate for the A Piece (\$31.5M) and the current calculated rate for the B Piece (\$1.061M). Adding debt service for the full amount of the C Piece (\$4.65M) at an estimated interest rate for the B and C Pieces results in a debt coverage ratio (DCR) of 1.90 according the Underwriter's proforma and a DCR of 1.36 according the Applicant's proforma. The only current debt service estimate provided by the Applicant is reflected in the Maximum debt service limit of \$2,824,208 provided in the draft term sheet which is conditioned upon a minimum 1.45 debt service coverage. Even this higher debt service amount provides a 1.73 DCR based upon the Underwriter's analysis. By all accounts the anticipated DCR will be outside and well above the typical range of 1.10 to 1.25 established by the Department as a guideline to ensure both feasible and efficient allocation of resources. In this case, exceeding the Department's maximum DCR guideline does not result in an inefficient allocation of resources available to the Department because requiring additional debt service would result in more of the resource (tax-exempt 501(c)(3) bonds for which the Applicant would be eligible) being utilized. While these bonds are not technically a limited resource, there is no benefit in requiring that the Applicant burden the properties with additional debt and no benefit issuing additional bonds beyond the requested amount.

CONSTRUCTION COST ESTIMATE EVALUATION

The cost breakdown submitted indicates total hard costs of \$3M to be placed in three separate escrow accounts: \$1,471,219 will be placed in a Repair Escrow and used for immediate repairs required by Freddie Mac and the Applicant; an initial deposit of \$1,018,994 will be placed in a Replacement Reserve Escrow and used for other repairs over a two year period; and \$510,121 will be placed in a Capital Improvement Escrow, also used over a two year period for additional repairs that the Applicant believes are needed immediately.

Dev't	NHPF Estimate	Property Condition Report		Escrows		Repl't Reserves (\$205/unit for 12 years)
		Immediate Need	12 Year Total	Immediate Need	Reserve For Repl't	
Arbor East	\$397,200	\$45,000	\$1,028,955	\$260,625	\$136,575	\$738,000
Azalea Courts	190,488	13,500	212,168	146,028	44,460	140,220
Creek Hollow	120,210	8,125	410,260	60,913	59,298	295,200
Heritage Square	133,088	20,160	397,084	78,281	54,807	275,520
Highlands	242,544	0	434,892	134,832	107,712	334,560
Oak Brook	406,338	107,120	700,288	345,066	61,272	546,120
Players Club	299,780	34,750	977,684	130,821	168,960	787,200
Stone Ridge	802,976	307,530	1,094,480	505,627	297,350	501,840
Wellington Place	407,708	10,000	535,488	319,148	88,560	403,440
TOTAL	\$3,000,332	\$546,185	\$5,791,299	\$1,981,340	\$1,018,994	\$4,022,100

As the chart above indicates, the escrows required under the proposed financing structure provide sufficient funds to accomplish the repairs proposed by the Applicant (NHPF Estimate). The immediate need escrows provide a healthy margin of funds over those identified as immediate needs in the Property Condition Report. The escrows, combined with the replacement reserves set at an average of \$205 per unit per year for 12 years as the minimum proposed by the lender will provide roughly \$7M over 12 years, which are ample funds to meet the full 12 year Property Condition Report estimated requirement of \$5.8M.

Total development costs also included contingency and financing costs as also reflected on the attached sources and uses. The need for an additional \$587,131 in contingency is unclear as there appears to be ample contingency built in the 12 year projection above. In addition, the immediate need portion identified as an escrow requirement by Freddie Mac already includes a 25% increase over the base amount for contingency purposes. It has been suggested that the contingency may be needed for overruns in fees and other financing costs rather than repair costs. Because the funds in the escrow accounts may be used only for repair and capital improvement items, this need for a contingency for financing costs may be valid. The Applicant also will be able to use the Piece B and C funds for this contingency.

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Multifamily Mortgage Revenue Bonds, Series 1996. As of November 21, 2002, the Applicant has estimated a refunding escrow of \$29,528,454. The Applicant's total uses of fund figure amounts to \$35,555,018, which is within 5% of the Underwriter's estimate based on the information provided throughout the application period. Therefore, the Applicant's figure is acceptable to be used to determine the development's total need for funding.

FINANCING STRUCTURE ANALYSIS

The Applicant has identified the following sources of funds:

Bonds (A Piece): According to an unexecuted commitment letter from Berkshire Mortgage Finance Limited Partnership tax-exempt mortgage revenue bonds in the amount of \$31,500,000 will be purchased. Freddie Mac will provide credit enhancement for the full term of 30 years and the loan will amortize over the same period. The interest rate will float and adjust as frequently as once each seven days. The rate will be equal to the prime or base interest rate announced from time to time by The Wall Street Journal, until such time as Freddie Mac designates another index, plus two percentage points. If the Applicant chooses not to enter into a Swap agreement prior to closing, they will be required to purchase an interest rate cap having a minimum initial term of five years. The cap must be purchased in full three business days preceding the bond closing date, at a spread of 200 basis points over the five year Swap Rate of 3.35%, resulting in a strike rate of 5.35%. An escrow for a replacement cap having a minimum term of five years is also required. The swap rate will be calculated by adding servicing, guarantee, trustee, issuer, liquidity, counter party guarantee, and remarketing fees to the BMA swap index. The floating rate will be calculated by adding servicing, guarantee, trustee, issuer, liquidity, and remarketing fees to the BMA rate.

The proceeds will be used to replace existing tax-exempt financing, pay defeasance costs, and allow for approximately \$3 million in capital expenditures as discussed above. The existing bonds, which are currently amortizing, will be defeased and remain in existence until their maturity on January 1, 2007. Given the inverse correlation between defeasance costs and interest rates, as interest rates have dropped the amount of new tax-exempt bonds required has increased. The current request stands at \$31.5 million. According to the commitment this number may continue to fluctuate until the bonds are sold.

Conventional Loan (B Piece): According to the same unexecuted commitment letter from Berkshire Mortgage Finance Limited Partnership, a conventional loan in the amount of \$1,061,000 will be provided, which will then be sold to Freddie Mac. The interest rate will be fixed at rate lock. Freddie Mac's required net yield shall be 270 basis points above the yield for the Benchmark US Treasury Security for ten years (as determined by Freddie Mac). The full loan amount will be drawn concurrently with the closing of the A Piece and will amortize over a term of 30 years. The B Piece will be used for closing costs associated with the closing the A Piece.

Conventional Loan (C Piece): A conventional loan (line of credit) in the maximum amount of \$4,650,000 will also be provided by Berkshire Mortgage Finance Limited Partnership and then sold to Freddie Mac. Again, the interest rate will be fixed at rate lock, but the term will be determined at a late date, to be coterminous with the A and B pieces. Freddie Mac's required net yield shall be determined in accordance with Freddie Mac's pricing policy and required net yield for combination financing however more specifics on the estimated rate were not provided. Amortization will be based on the balance in years remaining in the original amortization of the B piece. The C piece must close no later than 12 months from the closing of the A and B pieces and will be restricted to a maximum of two draws. At this point, the intended use of the C piece is unknown. In fact, it is unclear if the C piece will be utilized at all. What is clear is that, although the funds may be drawn to cover additional cost of the proposed development, it is not likely that these funds will be used for any costs related to this development, but rather will be used to acquire or rehabilitate other properties in the NHP portfolio. In so doing, NHP is generating its own source of preservation funds to further its development of affordable housing mission as well as the mission of the Department in issuing 501(c)(3) bonds.

A, B & C Pieces: The Freddie Mac commitment for purchase of the B and C pieces indicate that the combined annual debt service amount for the A, B and C pieces shall not exceed \$2,582,208 according to the 10/31/02 draft term sheet but not more than \$2,501,676 when the individual property debt service limits from the 11/4/02 draft are combined. No secondary financing other than the B and C Pieces shall be permitted during the credit enhancement term without Berkshire mortgage and Freddie Mac's prior written

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consent. A total initial deposit of \$1,018,994 and periodic deposits thereafter will be required in a replacement reserve. The account funds shall be used to pay for the costs of certain specified repairs and replacements. A total deposit of \$1,471,219 into a repair escrow will be required at closing to complete certain repairs. The reserve amount was established as 125% of the estimated cost of certain specified property improvements and repairs. A total deposit of \$510,121 into a single capital enhancement escrow for additional capital improvements is also required. The agreement gives Freddie Mac or Berkshire Mortgage the authority to monitor the work and the right to perform the work if the Applicant fails to do so. Any unused funds after performance of the work shall be deposited in the capital enhancement escrow.

1996 DSRF: A debt service reserve fund was established at closing of the outstanding Multifamily Mortgage Revenue Bonds, Series 1996, with an initial deposit of \$2,069,749. The reserve funds may be used to pay principal and interest on the Series 1996 bonds and in connection with extraordinary or optional redemption of the bonds. The Applicant plans to utilize and extinguish these funds in connection with the proposed refinancing.

Financing Conclusions: As stated above, the Applicant's total uses of fund figure is within 5% of the Underwriter's estimate based on the information provided throughout the application period, and therefore, the Applicant's figure was used to determine the development's total need for funding. Thus it is recommended that the Department issue \$31,500,000 in 501(c)(3) Multifamily Mortgage Revenue Bonds to be used for refunding of the Series 1996 Bonds and funding of the repair, replacement and capital enhancement escrows required under the proposed financing structure.

REVIEW of ARCHITECTURAL DESIGN

All of the properties consist of existing multifamily buildings constructed in the 1980s. The units appear to offer functional floorplans with adequate storage space. The exteriors of the buildings vary from property to property, but all appear to be common to construction of that period.

IDENTITIES of INTEREST

None noted. This transaction does not include an acquisition of the properties but rather a refunding and as such the same owner will maintain ownership after the transaction is completed.

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

Financial Highlights:

- The Applicant, Asmara Affordable Housing, Inc., a nonprofit organization, submitted an audited financial statement for the years ended December 31, 2001 and 2000 reporting total assets of \$29M consisting of cash, tenants' receivable, other receivables, prepaid insurance, prepaid bond fees, other prepaid expense, tenants' security deposits held in trust, other funds held in trust, land, buildings and improvement, equipment, and deferred financing costs. Liabilities totaled \$28.6M, resulting in a net worth of \$563K.
- NHP, sole member of the Applicant and a nonprofit organization, also submitted an audited financial statement for the years ended December 31, 2000 and 1999 reporting total assets of \$256M consisting of cash, tenants' security deposits, prepaid expense and other receivables, deferred development costs, mortgage escrow and utility deposits, investments, investments held as collateral, deferred financing costs, replacement reserves, goodwill, land, building, and equipment. Liabilities totaled \$183M, resulting in total unrestricted net assets of \$73M.

Background & Experience:

- The NHP Foundation, sole member of the Applicant, participated in the original acquisition and 501(c)(3) financing of the subject nine developments. NHP has also participated in 20 other developments throughout the United States totaling 2,980 units since 1996. It should be noted that NHP and Indiana Affordable Housing, Inc. disclosed they have been involved in a Fannie Mae foreclosure that is in the process of being resolved, but as of yet not resolved.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated income/operating expenses/operating proforma are more than 5% outside of

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the Underwriter's verifiable ranges.

- Significant environmental/locational risk exists regarding existing residential buildings located within the floodplain, Zone AE.

RECOMMENDATION

- RECOMMEND ISSUANCE OF QUALIFIED 501(c)(3) MULTIFAMILY MORTGAGE REVENUE BONDS AS REQUESTED AT \$31,500,000, SUBJECT TO THE FOLLOWING CONDITION.**

CONDITIONS

1. Receipt, review and acceptance of Operation and Management (O&M) Plans for the Asbestos Containing Materials (ACM) and Lead Based Paint (LBP) found at Stone Ridge Apartments

Credit Underwriting Supervisor:

Lisa Vecchiatti

Date: December 2, 2002

Director of Credit Underwriting:

Tom Gouris

Date: December 2, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Asmara Affordable Housing, Inc., #1996-003

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	Wtr, Swr, Trash
The rent schedule for the nine developments is attached.										
TOTAL:	1,635		AVERAGE:	768	\$618	\$541	\$883,757	\$0.70	\$61.48	\$42.92

INCOME				TOTAL	TOTAL				
Total Net Rentable Sq Ft: 1,254,994									
POTENTIAL GROSS RENT				\$10,605,084	\$10,057,067				
Secondary Income		Per Unit Per Month:	\$15.00	294,300	338,483	\$17.25		Per Unit Per Month	
Other Support Income:				0	48,841				
POTENTIAL GROSS INCOME				\$10,899,384	\$10,444,391				
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(817,454)	(828,396)	-7.93%		of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				(141,088)	(141,088)				
EFFECTIVE GROSS INCOME				\$9,940,842	\$9,474,907				
EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	4.88%	\$297	\$0.39	\$485,582	\$508,383	\$0.41	\$311	5.37%	
Management	5.00%	304	0.40	\$497,042	\$346,723	0.28	212	3.66%	
Payroll & Payroll Tax	13.97%	849	1.11	\$1,388,728	\$1,446,031	1.15	884	15.26%	
Repairs & Maintenance	6.08%	370	0.48	\$604,450	\$697,444	0.56	427	7.36%	
Utilities	4.10%	249	0.32	\$407,266	\$408,860	0.33	250	4.32%	
Water, Sewer, & Trash	6.79%	413	0.54	\$674,680	\$667,866	0.53	408	7.05%	
Property Insurance	2.52%	154	0.20	\$250,999	\$284,830	0.23	174	3.01%	
Property Tax 2.884854444	0.00%	0	0.00	\$0	\$872,458	0.70	534	9.21%	
Reserve for Replacements	4.93%	300	0.39	\$490,500	\$492,839	0.39	301	5.20%	
Other Expenses:	2.49%	151	0.20	247,274	247,274	0.20	151	2.61%	
TOTAL EXPENSES	50.77%	\$3,087	\$4.02	\$5,046,522	\$5,972,708	\$4.76	\$3,653	63.04%	
NET OPERATING INC	49.23%	\$2,993	\$3.90	\$4,894,320	\$3,502,199	\$2.79	\$2,142	36.96%	
DEBT SERVICE									
Tax-Exempt Bonds	21.23%	\$1,291	\$1.68	\$2,110,804	\$2,110,804	\$1.68	\$1,291	22.28%	
B Piece	0.86%	\$52	\$0.07	85,134	85,134	\$0.07	\$52	0.90%	
C Piece	3.79%	\$231	\$0.30	376,877	376,877	\$0.30	\$231	3.98%	
NET CASH FLOW	23.35%	\$1,420	\$1.85	\$2,321,505	\$929,384	\$0.74	\$568	9.81%	
DEBT COVERAGE RATIO (A & B Pieces)				2.23	1.59				
AGGREGATE DEBT COVERAGE RATIO (A, B & C Pieces)				1.90	1.36				

CONSTRUCTION COST					TOTAL	TOTAL			
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		0.00%	\$0	\$0.00	\$0	\$0	\$0.00	\$0	0.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		0.00%	0	0.00	0	302,039	0.24	185	5.01%
REPAIR ESCROW		26.34%	900	1.17	1,471,219	1,169,181	0.93	715	19.40%
Contingency	10.00%	2.63%	90	0.12	147,122	587,131	0.47	359	9.74%
General Req'ts	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Contractor's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Indirect Construction	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Ineligible Costs	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's G & A	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Developer's Profit	0.00%	0.00%	0	0.00	0	0	0.00	0	0.00%
Financing		43.66%	1,492	1.94	2,439,098	2,439,098	1.94	1,492	40.47%
Replacement Reserve & Capital Improvement Escro		27.37%	935	1.22	1,529,115	1,529,115	1.22	935	25.37%
TOTAL COST	100.00%	\$3,417	\$4.45	\$5,586,554	\$6,026,564	\$4.80	\$3,686	100.00%	
REFUNDING ESCROW		84.25%	18,273	23.81	\$29,876,686	\$29,528,454	23.53	18,060	83.05%
TOTAL Need for Funds	100.00%	\$21,690	\$28.26	\$35,463,240	\$35,555,018	\$28.33	\$21,746	100.00%	
SOURCES OF FUNDS									
Tax-Exempt Bonds		563.85%	\$19,266	\$25.10	\$31,500,000	\$31,500,000	\$25.10	\$19,266	88.45%
B Piece		18.99%	\$649	\$0.85	1,061,000	1,061,000	\$0.85	\$649	3.04%
Accrued Interest on Bonds		1.12%	\$38	\$0.05	62,370	62,370	\$0.05	\$38	0.15%
Release of Series 1996 DSRF		37.05%	\$1,266	\$1.65	2,069,749	2,069,749	\$1.65	\$1,266	5.84%
Taxable Loan Financing		15.43%	\$527	\$0.69	861,898	861,898	\$0.69	\$527	3.89%
Additional (excess) Funds Required		-1.64%	(\$56)	(\$0.07)	(\$91,778)	0	0	(\$56)	-0.26%
TOTAL SOURCES					\$35,463,240	\$35,555,018	\$28.33	\$21,746	100.00%

Asmara Affordable Housing, Inc., #1996-003

Type of Unit	Dev't/City	Set-Aside	Number	Bedrooms	Baths	Size in SF	Gross Rent Lmt.	Net Rent/Unit	Appl.	Mkt.	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
Bond LI/AHDP VI	Arbor	50% AMI	4	1	1	465	\$623	\$400	\$358	\$400	\$1,600	\$0.86	\$49.00	\$46.00
Bond ET/AHDP VI	Dallas	50% AMI	4	1	1	465	\$623	\$400	\$400	\$400	1,600	0.86	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	5	1	1	465	\$997	\$400	\$400	\$400	2,000	0.86	\$49.00	\$46.00
Bond ET/MR		140% AMI	11	1	1	465		\$400	\$400	\$400	4,400	0.86	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	12	1	1	534	\$623	\$413	\$370	\$413	4,956	0.77	\$49.00	\$46.00
Bond ET/AHDP VI		50% AMI	16	1	1	534	\$623	\$413	\$412	\$413	6,608	0.77	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	10	1	1	534	\$997	\$413	\$412	\$413	4,130	0.77	\$49.00	\$46.00
Bond ET/MR		140% AMI	46	1	1	534		\$413	\$412	\$413	18,998	0.77	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	3	2	1	690	\$748	\$510	\$455	\$510	1,530	0.74	\$64.00	\$52.00
Bond ET/AHDP VI		50% AMI	7	2	1	690	\$748	\$510	\$510	\$510	3,570	0.74	\$64.00	\$52.00
Bond ET/AHDP LI		80% AMI	3	2	1	690	\$1,197	\$510	\$510	\$510	1,530	0.74	\$64.00	\$52.00
Bond ET/MR		140% AMI	11	2	1	690		\$510	\$510	\$510	5,610	0.74	\$64.00	\$52.00
Bond LI/AHDP VI		50% AMI	19	2	2	797	\$748	\$563	\$500	\$563	10,697	0.71	\$64.00	\$52.00
Bond ET/AHDP VI		50% AMI	19	2	2	797	\$748	\$563	\$555	\$563	10,697	0.71	\$64.00	\$52.00
Bond ET/AHDP LI		80% AMI	9	2	2	797	\$1,197	\$563	\$555	\$563	5,067	0.71	\$64.00	\$52.00
Bond ET/MR		140% AMI	37	2	2	797		\$563	\$555	\$563	20,831	0.71	\$64.00	\$52.00
Bond LI/AHDP VI		50% AMI	26	2	2	896	\$748	\$573	\$520	\$573	14,898	0.64	\$64.00	\$52.00
Bond ET/AHDP VI		50% AMI	20	2	2	896	\$748	\$573	\$575	\$573	11,460	0.64	\$64.00	\$52.00
Bond ET/AHDP LI		80% AMI	9	2	2	896	\$1,197	\$573	\$575	\$573	5,157	0.64	\$64.00	\$52.00
Bond ET/MR		140% AMI	29	2	2	896		\$573	\$575	\$573	16,617	0.64	\$64.00	\$52.00
VI	Azalea		2	1	1	700	\$645	\$500	\$510	\$500	1,000	0.71	\$49.00	\$46.00
MR	Dallas		2	1	1	700		\$500	\$510	\$500	1,000	0.71	\$49.00	\$46.00
VI			12	1	1	710	\$645	\$535	\$510	\$535	6,420	0.75	\$49.00	\$46.00
LI			3	1	1	710	\$845	\$535	\$510	\$535	1,605	0.75	\$49.00	\$46.00
MR			13	1	1	710		\$535	\$510	\$535	6,955	0.75	\$49.00	\$46.00
VI			2	1	1	900	\$645	\$545	\$510	\$545	1,090	0.61	\$49.00	\$46.00
MR			2	1	1	900		\$545	\$510	\$545	1,090	0.61	\$49.00	\$46.00
VI			4	2	2	1,000	\$727	\$611	\$582	\$650	2,444	0.61	\$64.00	\$52.00
MR			3	2	2	1,000		\$650	\$582	\$650	1,950	0.65	\$64.00	\$52.00
VI			4	2	1.5	1,012	\$727	\$611	\$582	\$675	2,444	0.60	\$64.00	\$52.00
LI			1	2	1.5	1,012	\$951	\$675	\$582	\$675	675	0.67	\$64.00	\$52.00
MR			9	2	1.5	1,012		\$675	\$582	\$675	6,075	0.67	\$64.00	\$52.00
Bond LI/AHDP VI	Creek	50% AMI	13	1	1	550	\$574	\$430	\$360	\$430	5,590	0.78	\$81.00	\$34.00
Bond ET/AHDP VI	Ft Worth	80% AMI	13	1	1	550	\$574	\$430	\$415	\$430	5,590	0.78	\$81.00	\$34.00
Bond ET/AHDP LI		80% AMI	14	1	11	550	\$918	\$430	\$415	\$430	6,020	0.78	\$81.00	\$34.00
Bond LI/AHDP VI		50% AMI	6	1	1	780	\$574	\$459	\$415	\$485	2,754	0.59	\$81.00	\$34.00
Bond ET/AHDP VI		80% AMI	12	1	1	780	\$574	\$470	\$470	\$485	5,640	0.60	\$81.00	\$34.00
Bond ET/AHDP LI		80% AMI	14	1	1	780	\$918	\$485	\$470	\$485	6,790	0.62	\$81.00	\$34.00
Bond LI/AHDP VI		50% AMI	1	2	1	941	\$690	\$561	\$481	\$565	561	0.60	\$95.00	\$34.00
Bond ET/AHDP VI		80% AMI	12	2	1	941	\$690	\$550	\$550	\$565	6,600	0.58	\$95.00	\$34.00
Bond ET/AHDP LI		80% AMI	11	2	1	941	\$1,104	\$565	\$550	\$565	6,215	0.60	\$95.00	\$34.00
Bond LI/AHDP VI		50% AMI	4	2	2	974	\$690	\$561	\$491	\$585	2,244	0.58	\$95.00	\$34.00
Bond ET/AHDP VI		80% AMI	8	2	2	974	\$690	\$560	\$560	\$585	4,480	0.57	\$95.00	\$34.00
Bond ET/AHDP LI		80% AMI	12	2	2	974	\$1,104	\$585	\$560	\$585	7,020	0.60	\$95.00	\$34.00

Asmara Affordable Housing, Inc., #1996-003

Type of Unit	Dev't/City	Set-Aside	Number	Bedrooms	Baths	Size in SF	Gross Rent Lmt.	Net Rent/Unit	Appl.	Mkt.	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
Bond LI/AHDP VI	Heritage	50% AMI	9	1	1	663	\$623	\$528	\$515	\$550	4,752	0.80	\$49.00	\$46.00
Bond ET/AHDP VI	Dallas	50% AMI	7	1	1	663	\$623	\$528	\$515	\$550	3,696	0.80	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	15	1	1	663	\$997	\$550	\$515	\$550	8,250	0.83	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	12	2	2	936	\$748	\$632	\$526	\$675	7,584	0.68	\$64.00	\$52.00
Bond ET/AHDP VI		50% AMI	15	2	2	936	\$748	\$632	\$595	\$675	9,480	0.68	\$64.00	\$52.00
Bond ET/AHDP LI		80% AMI	22	2	2	936	\$1,197	\$675	\$595	\$675	14,850	0.72	\$64.00	\$52.00
Bond LI/AHDP VI		50% AMI	2	3	2	1,059	\$864	\$730	\$560	\$775	1,460	0.69	\$73.00	\$61.00
Bond ET/AHDP VI		50% AMI	20	3	2	1,059	\$864	\$730	\$629	\$775	14,600	0.69	\$73.00	\$61.00
Bond ET/AHDP LI		80% AMI	10	3	2	1,059	\$1,382	\$775	\$740	\$775	7,750	0.73	\$73.00	\$61.00
Bond LI/AHDP VI	Highlands	50% AMI	10	1	1	506	\$623	\$420	\$378	\$420	4,200	0.83	\$49.00	\$46.00
Bond ET/AHDP VI	Dallas	50% AMI	22	1	1	506	\$623	\$420	\$420	\$420	9,240	0.83	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	12	1	1	506	\$997	\$420	\$420	\$420	5,040	0.83	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	7	1	1	625	\$623	\$473	\$428	\$473	3,311	0.76	\$49.00	\$46.00
Bond ET/AHDP VI		50% AMI	13	1	1	625	\$623	\$473	\$470	\$473	6,149	0.76	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	12	1	1	625	\$997	\$473	\$470	\$473	5,676	0.76	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	6	2	2	889	\$748	\$589	\$530	\$589	3,534	0.66	\$64.00	\$52.00
Bond ET/AHDP VI		50% AMI	10	2	2	889	\$748	\$589	\$585	\$589	5,890	0.66	\$64.00	\$52.00
Bond ET/AHDP LI		80% AMI	24	2	2	889	\$1,197	\$589	\$585	\$589	14,136	0.66	\$64.00	\$52.00
Model UR			1	2	2	889		\$589	\$585	\$589	589	0.66	\$64.00	\$52.00
Bond LI/AHDP VI		50% AMI	5	3	2	1,036	\$864	\$695	\$625	\$695	3,475	0.67	\$73.00	\$61.00
Bond ET/AHDP VI		50% AMI	5	3	2	1,036	\$864	\$695	\$705	\$695	3,475	0.67	\$73.00	\$61.00
Bond ET/AHDP LI		80% AMI	9	3	2	1,036	\$1,382	\$695	\$705	\$695	6,255	0.67	\$73.00	\$61.00
AHDP/Bond	Oakbrook	50% AMI	8	1	1.5	860	\$558	\$500	\$500	\$500	4,000	0.58	\$43.00	\$25.00
AHDP/Bond	Houston	60% AMI	12	1	1.5	860	\$670	\$500	\$500	\$500	6,000	0.58	\$43.00	\$25.00
AHDP/Bond		50% AMI	4	1	1	553	\$558	\$400	\$400	\$400	1,600	0.72	\$43.00	\$25.00
AHDP/Bond		60% AMI	52	1	1	553	\$670	\$400	\$400	\$400	20,800	0.72	\$43.00	\$25.00
AHDP/Bond		50% AMI	10	1	1	672	\$558	\$415	\$415	\$415	4,150	0.62	\$43.00	\$25.00
AHDP/Bond		60% AMI	44	1	1	672	\$670	\$415	\$415	\$415	18,260	0.62	\$43.00	\$25.00
AHDP/Bond		50% AMI	15	2	1.5	860	\$670	\$520	\$520	\$520	7,800	0.60	\$54.00	\$30.00
AHDP/Bond		60% AMI	41	2	1.5	860	\$804	\$520	\$520	\$520	21,320	0.60	\$54.00	\$30.00
AHDP/Bond		50% AMI	25	2	2	860	\$670	\$530	\$530	\$530	13,250	0.62	\$54.00	\$30.00
AHDP/Bond		60% AMI	11	2	2	860	\$804	\$530	\$530	\$530	5,830	0.62	\$54.00	\$30.00
Bond LI/AHDP VI	Players	50% AMI	27	1	1	550	\$623	\$525	\$423	\$525	14,175	0.95	\$49.00	\$46.00
Bond ET/AHDP VI	Dallas	50% AMI	10	1	1	550	\$623	\$525	\$462	\$525	5,250	0.95	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	37	1	1	550	\$997	\$525	\$462	\$525	19,425	0.95	\$49.00	\$46.00
Bond ET/MR		140% AMI	23	1	1	550		\$525	\$462	\$525	12,075	0.95	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	20	1	1	650	\$623	\$528	\$483	\$585	10,560	0.81	\$49.00	\$46.00
Bond ET/AHDP VI		50% AMI	7	1	1	650	\$623	\$528	\$525	\$585	3,696	0.81	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	30	1	1	650	\$997	\$585	\$525	\$585	17,550	0.90	\$49.00	\$46.00
Bond ET/MR		140% AMI	39	1	1	650		\$585	\$525	\$585	22,815	0.90	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	3	1	1	750	\$623	\$528	\$543	\$625	1,584	0.70	\$49.00	\$46.00
Bond ET/AHDP VI		50% AMI	5	1	1	750	\$623	\$528	\$585	\$625	2,640	0.70	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	13	1	1	750	\$997	\$625	\$585	\$625	8,125	0.83	\$49.00	\$46.00
Bond ET/MR		140% AMI	27	1	1	750		\$625	\$585	\$625	16,875	0.83	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	9	2	1	850	\$748	\$632	\$575	\$700	5,688	0.74	\$64.00	\$52.00
Bond ET/AHDP VI	Players	50% AMI	7	2	1	850	\$748	\$632	\$670	\$700	4,424	0.74	\$64.00	\$52.00
Bond ET/AHDP LI	Dallas	80% AMI	3	2	1	850	\$1,197	\$700	\$670	\$700	2,100	0.82	\$64.00	\$52.00
Bond ET/MR	(con't)	140% AMI	13	2	1	850		\$700	\$670	\$700	9,100	0.82	\$64.00	\$52.00
Bond LI/AHDP VI		50% AMI	6	2	2	1,050	\$748	\$632	\$595	\$840	3,792	0.60	\$64.00	\$52.00
Bond ET/AHDP LI		80% AMI	5	2	2	1,050	\$1,197	\$840	\$775	\$840	4,200	0.80	\$64.00	\$52.00
Bond ET/MR		140% AMI	36	2	2	1,050		\$840	\$775	\$840	30,240	0.80	\$64.00	\$52.00
Bond LI/AHDP VI	Stone	50% AMI	21	1	1	710	\$574	450	\$401	\$450	9,450	0.63	\$81.00	\$34.00
Bond ET/AHDP VI	Arlington	50% AMI	41	1	1	710	\$574	\$450	\$450	\$450	18,450	0.63	\$81.00	\$34.00
Bond ET/AHDP LI		80% AMI	18	1	1	710	\$918	\$450	\$450	\$450	8,100	0.63	\$81.00	\$34.00
Bond LI/AHDP VI		50% AMI	16	2	2	990	\$690	\$560	\$491	\$560	8,960	0.57	\$95.00	\$34.00
Bond ET/AHDP VI		50% AMI	41	2	2	990	\$690	\$560	\$550	\$560	22,960	0.57	\$95.00	\$34.00
Bond ET/AHDP LI		80% AMI	39	2	2	990	\$1,104	\$560	\$550	\$560	21,840	0.57	\$95.00	\$34.00
Bond LI/AHDP VI		50% AMI	2	2	1.5	1,200	\$690	\$595	\$521	\$595	1,190	0.50	\$95.00	\$34.00
Bond ET/AHDP VI		50% AMI	8	2	1.5	1,200	\$690	\$595	\$580	\$595	4,760	0.50	\$95.00	\$34.00
Bond ET/AHDP LI		80% AMI	2	2	1.5	1,200	\$1,104	\$595	\$580	\$595	1,190	0.50	\$95.00	\$34.00

Asmara Affordable Housing, Inc., #1996-003

Type of Unit	Dev't/City	Set-Aside	Number	Bedrooms	Baths	Size in SF	Gross Rent Lmt.	Net Rent/Unit	Appl.	Mkt.	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
Bond ET/AHDP VI		50% AMI	11	3	2	1,290	\$796	\$660	\$680	\$700	7,260	0.51	\$136.00	\$41.00
Bond ET/AHDP LI		80% AMI	5	3	2	1,290	\$1,274	\$700	\$710	\$700	3,500	0.54	\$136.00	\$41.00
Bond LI/AHDP VI	Wellington	50% AMI	11	0	1	544	\$582	460	\$426	\$460	5,060	0.85	\$39.00	\$35.00
Bond ET/AHDP VI	Dallas	50% AMI	6	0	1	544	\$582	\$460	\$460	\$460	2,760	0.85	\$39.00	\$35.00
Bond ET/AHDP LI		80% AMI	11	0	1	544	\$931	\$460	\$460	\$460	5,060	0.85	\$39.00	\$35.00
Bond ET/MR		140% AMI	8	0	1	544		\$460	\$460	\$460	3,680	0.85	\$39.00	\$35.00
Bond LI/AHDP VI		50% AMI	16	1	1	637	\$623	\$495	\$453	\$495	7,920	0.78	\$49.00	\$46.00
Bond ET/AHDP VI		50% AMI	2	1	1	637	\$623	\$495	\$495	\$495	990	0.78	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	7	1	1	637	\$997	\$495	\$495	\$495	3,465	0.78	\$49.00	\$46.00
Bond ET/MR		140% AMI	11	1	1	637		\$495	\$495	\$495	5,445	0.78	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	5	1	1	700	\$623	\$528	\$493	\$545	2,640	0.75	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	1	1	1	700	\$997	\$545	\$535	\$545	545	0.78	\$49.00	\$46.00
Bond ET/MR		140% AMI	2	1	1	700		\$545	\$535	\$545	1,090	0.78	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	11	1	1	742	\$623	\$528	\$493	\$550	5,808	0.71	\$49.00	\$46.00
Bond ET/AHDP VI		50% AMI	10	1	1	742	\$623	\$528	\$535	\$550	5,280	0.71	\$49.00	\$46.00
Bond ET/AHDP LI		80% AMI	4	1	1	742	\$997	\$550	\$550	\$550	2,200	0.74	\$49.00	\$46.00
Bond ET/MR		140% AMI	12	1	1	742		\$550	\$550	\$550	6,600	0.74	\$49.00	\$46.00
Bond LI/AHDP VI		50% AMI	5	2	1.5	873	\$748	\$632	\$580	\$635	3,160	0.72	\$64.00	\$52.00
Bond ET/AHDP VI		50% AMI	5	2	1.5	873	\$748	\$632	\$635	\$635	3,160	0.72	\$64.00	\$52.00
Bond ET/AHDP LI		80% AMI	2	2	1.5	873	\$1,197	\$635	\$635	\$635	1,270	0.73	\$64.00	\$52.00
Bond ET/MR		140% AMI	4	2	1.5	873		\$635	\$635	\$635	2,540	0.73	\$64.00	\$52.00
Bond LI/AHDP VI		50% AMI	2	2	2	937	\$748	\$632	\$595	\$680	1,264	0.67	\$64.00	\$52.00
Bond ET/AHDP VI		50% AMI	5	2	2	937	\$748	\$632	\$650	\$680	3,160	0.67	\$64.00	\$52.00
Bond ET/MR		140% AMI	1	2	2	937		\$680	\$680	\$680	680	0.73	\$64.00	\$52.00
Bond LI/AHDP VI		50% AMI	2	2	2	1,102	\$748	\$632	\$595	\$775	1,264	0.57	\$64.00	\$52.00
Bond ET/AHDP VI		50% AMI	1	2	2	1,102	\$748	\$632	\$650	\$775	632	0.57	\$64.00	\$52.00
Bond ET/AHDP LI		80% AMI	2	2	2	1,102	\$1,197	\$775	\$775	\$775	1,550	0.70	\$64.00	\$52.00
Bond ET/MR		140% AMI	18	2	2	1,102		\$775	\$775	\$775	13,950	0.70	\$64.00	\$52.00
TOTAL:			1,635		AVERAGE:	768	\$618	\$541	\$517	\$547	\$883,757	\$0.70	\$61.48	\$42.92

SOURCES AND USES OF FUNDS

10 / 6 Swap (30 year level Taxable Loans)
 Asmara Housing Revenue Bonds
 10 year Synthetic Fixed Refunding (Cancellable in 6 years)
 (5yr BMA average upon swap termination for tax-exempt bonds)
 (with New Money)
 (Subordinate Taxable Rate of 270bps over
 10-year Treasury + 10bps Servicing Fee)
 Rates indicative of: TE 10-30-02 /ST 11-21-02

Sources:	Tax Exempt Refunding Bonds	Tax Exempt New Money	Taxable Loan (\$1.061MM)	Total
Bond Proceeds:				
Par Amount	28,100,000.00	3,400,000.00	1,061,000.00	32,561,000.00
Accrued Interest	55,638.00	6,732.00		62,370.00
	<u>28,155,638.00</u>	<u>3,406,732.00</u>	<u>1,061,000.00</u>	<u>32,623,370.00</u>
Other Sources of Funds:				
Taxable Loan Financing (COI)	769,515.09	92,382.62		861,897.71
Series 1996 DSRF	2,069,749.00			2,069,749.00
	<u>2,839,264.09</u>	<u>92,382.62</u>		<u>2,931,646.71</u>
	<u>30,994,902.09</u>	<u>3,499,114.62</u>	<u>1,061,000.00</u>	<u>35,555,016.71</u>
USES				
Uses:	Tax Exempt Refunding Bonds	Tax Exempt New Money	Taxable Loan (\$1.061MM)	Total
Refunding Escrow Deposits:				
Cash Deposit	798,438.53			798,438.53
SLG Purchases	26,660,266.00			26,660,266.00
Open Market Purchases	2,069,749.00			2,069,749.00
	<u>29,528,453.53</u>			<u>29,528,453.53</u>
Other Fund Deposits:				
Accrued Interest	55,638.00	6,732.00		62,370.00
Delivery Date Expenses:				
Cost of Issuance	1,085,640.09	130,632.62	17,932.68	1,234,205.39
Underwriter's Discount	245,875.00	29,750.00	5,000.00	280,625.00
	<u>1,331,515.09</u>	<u>160,382.62</u>	<u>22,932.68</u>	<u>1,514,830.39</u>
Other Uses of Funds:				
Additional Proceeds	79,295.47	331,666.00	-410,961.47	
Immediate Repaires (125%)		1,471,219.00		1,471,219.00
Initial Deposit		1,018,994.00		1,018,994.00
Additional Improvements		510,121.00		510,121.00
Taxable Loan Financing (COI)			861,897.71	861,897.71
Contingency			587,131.08	587,131.08
	<u>79,295.47</u>	<u>3,332,000.00</u>	<u>1,038,067.32</u>	<u>4,449,362.79</u>
	<u>30,994,902.09</u>	<u>3,499,114.62</u>	<u>1,061,000.00</u>	<u>35,555,016.71</u>

RENT CAP EXPLANATION

Dallas MSA

AFFORDABILITY DEFINITION & COMMENTS

An apartment unit is "**affordable**" if the total housing expense (rent and utilities) that the tenant pays is **equal to or less than 30%** of the tenant's household income (as determined by HUD).

Rent Caps are established at this **30%** "affordability" threshold based on local area median income, adjusted for family size. Therefore, rent caps will vary from property to property depending upon the local area median income where the specific property is located.

If existing rents in the local market area are lower than the rent caps calculated at the 30% threshold for the area, then by definition the market is "affordable". This situation will occur in some larger metropolitan areas with high median incomes or with older properties. In other words, the rent caps will not provide for lower rents to the tenants because the rents are already affordable. This situation, however, does not ensure that individuals and families will have access to affordable rental units in the area. The set-aside requirements under the Department's bond programs ensure availability of units in these markets to lower income individuals and families.

MAXIMUM INCOME & RENT CALCULATIONS (ADJUSTED FOR HOUSEHOLD SIZE) - 2002

MSA/County: Dallas **Area Median Family Income (Annual):** \$66,500

ANNUALLY				MONTHLY							
Maximum Allowable Household Income to Qualify for Set-Aside units under the Program Rules				Maximum Total Housing Expense Allowed based on Household Income (Includes Rent & Utilities)			Utility Allowance by Unit Type (provided by the local PHA)	Maximum Rent that Owner is Allowed to Charge on the Set-Aside Units (Rent Cap)			
# of Persons	At or Below			Unit Type	At or Below			At or Below			
	50%	60%	80%		50%	60%	80%	50%	60%	80%	
1	\$ 23,300	\$ 27,960	\$ 37,250	Efficiency	\$ 582	\$ 699	\$ 931	\$ 74.00	\$ 508	\$ 625	\$ 857
2	26,600	31,920	42,550	1-Bedroom	623	748	997	96.00	527	652	901
3	29,950	35,940	47,900	2-Bedroom	748	898	1,197	116.00	632	782	1,081
4	33,250	39,900	53,200	3-Bedroom	864	1,037	1,383	149.00	715	888	1,234
5	35,900	43,080	57,450	4-Bedroom	963	1,156	1,542	159.00	804	997	1,383
6	38,550	46,260	61,700	5-Bedroom	1,064	1,277	1,701	159.00	905	1,118	1,542
7	41,250	49,500	65,950								
8	43,900	52,680	70,200								
FIGURE 1				FIGURE 2			FIGURE 3	FIGURE 4			

Figure 1 outlines the maximum annual household incomes in the area, adjusted by the number of people in the family, to qualify for a unit under the set-aside grouping indicated above each column.

For example, a family of three earning \$33,000 per year would fall in the 60% set-aside group. A family of three earning \$28,000 would fall in the 50% set-aside group.

Figure 2 shows the maximum total housing expense that a family can pay under the affordable definition (i.e. under 30% of their household income).

For example, a family of three in the 60% income bracket earning \$35,940 could not pay more than \$898 for rent and utilities under the affordable definition.

- 1) \$35,940 divided by 12 = **\$2,995** monthly income; then,
- 2) **\$2,995** monthly income times 30% = **\$898** maximum total housing expense.

Figure 4 displays the resulting maximum rent that can be charged for each unit type, under the three set-aside brackets. This becomes the rent cap for the unit.

The rent cap is calculated by subtracting the utility allowance in **Figure 3** from the maximum total housing expense for each unit type found in **Figure 2**.

Figure 3 shows the utility allowance by unit size, as determined by the local public housing authority. The example assumes all electric units.

NHP--ASMARA PROJECT

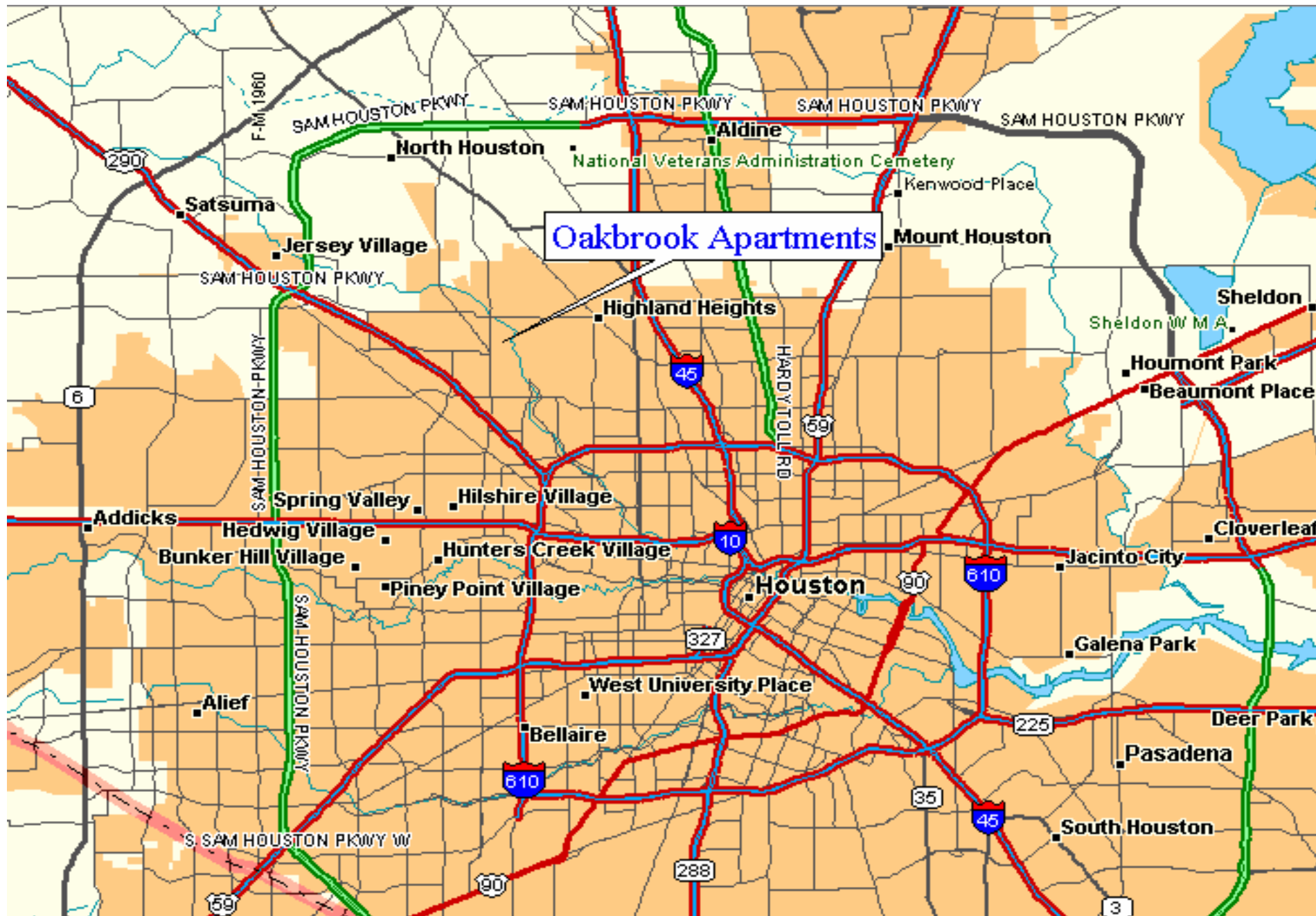
Rent Caps and Market Rents:

PROJECT INFORMATION: Dallas MSA				
Arbors East, Azalea Court, Heritage Square, Highlands, Players Club, and Wellington Apts.				
	Unit Type			
Unit Description	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
Average Square Footage	544	616	899	1,050
Rent Caps	\$ 508.00	\$ 527.00	\$ 632.00	\$ 715.00
Rent Caps per Square Foot	\$ 0.93	\$ 0.86	\$ 0.70	\$ 0.68
Average Market Rents	\$ 460.00	\$ 513.00	\$ 598.00	\$ 745.00
Market Rents per Unit	\$ 0.85	\$ 0.83	\$ 0.67	\$ 0.71
Maximum Monthly Income -- 50% AMI	\$ 1,941.67	\$ 2,079.17	\$ 2,495.83	\$ 2,881.25
Rent as Percentage of Income	23.69%	24.67%	23.96%	24.82%

PROJECT INFORMATION: Fort Worth MSA				
Creek Hollow and Stone Ridge Apts.				
	Unit Type			
Unit Description	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
Average Square Footage		683	996	1,290
Rent Caps		\$ 510.00	\$ 606.00	\$ 695.00
Rent Caps per Square Foot		\$ 0.75	\$ 0.61	\$ 0.54
Average Market Rents		\$ 452.00	\$ 552.00	\$ 700.00
Market Rents per Unit		\$ 0.66	\$ 0.55	\$ 0.54
Maximum Monthly Income -- 50% AMI		\$ 1,914.58	\$ 2,300.00	\$ 2,656.25
Rent as Percentage of Income		23.61%	24.00%	26.16%

PROJECT INFORMATION: Houston MSA				
Oakbrook Apartments				
	Unit Type			
Unit Description	Efficiency	1-Bedroom	2-Bedroom	3-Bedroom
Average Square Footage		650	860	
Rent Caps		\$ 479.00	\$ 571.00	
Rent Caps per Square Foot		\$ 0.74	\$ 0.66	
Average Market Rents		\$ 422.00	\$ 524.00	
Market Rents per Unit		\$ 0.65	\$ 0.61	
Maximum Monthly Income -- 50% AMI		\$ 1,862.50	\$ 2,233.33	
Rent as Percentage of Income		22.66%	23.46%	





Oakbrook Apartments

Developer Evaluation

Compliance Status Summary

Project ID #: 120202

LIHTC 9% LIHTC 4%

Project Name: Asmara Project Request

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 9 # not yet monitored or pending review 0

of projects grouped by score 0-9: 5 10-19: 4 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received N/A

Non-Compliance Reported _____

Completed by Jo En Taylor **Completed on** 12/02/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 12/03/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 12/03/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by EEF **Completed on** 12/02/2002

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 12/03/2002

Executive Director: Edwina Carrington **Date Signed:** ember 05, 2002

-TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

TO: Suzanne Phillips, Director of Compliance
David Burrell, Director of Programs
Robert Onion, Director of Multifamily Bond

FROM: Sara Carr Newsom, Housing Compliance Manager *JCW*

DATE: May 23, 2002

Subject Compliance Status for Asmara Project Application

The Compliance Division has conducted a complete review of the above mentioned applicant including the review by housing compliance, audit and program monitoring divisions. The final summaries are attached with all necessary signatures.

The Compliance Division has determined the compliance status for the above applications. An evaluation of the properties disclosed on the Previous Participation was performed to determine the compliance status of those located within the State of Texas and monitored by the Department. Other state Housing Agencies were contacted for a status of projects located within their jurisdiction. The summary only reports a project's compliance status from the time the compliance division becomes responsible which is generally when approximately 75% of the funds are drawn or leasing commences.

Projects monitored by the Department were evaluated and scored using the definition of material non-compliance and methodology as defined in the 2002 LIHTC Qualified Allocation Plan. If applicable, all states were contacted; however, not all responded.

Due to the lack of information provided on the exhibit and limitations of the Departmental tracking systems, in many instances the association of development team members with HOME contracts and the applicability of single audit requirements could not be accurately identified. Identification of development team members and their association with HOME contracts was limited to recognition by staff of development team members' names and a review of the previous participation exhibit and the tracking system, as well as HOME reports which listed projects by contact names, rental projects with the associated owner/management companies, contracts by city, and funded projects by contract number. Once a development team member with an associated HOME contract was identified, staff determined if a program-monitoring visit had been previously conducted and noted if any issues remained outstanding. In a couple of cases, referrals were made to program staff if issues were related to administrative rather than monitoring issues.

Please contact me with any questions (5-0407).

Attachments

Compliance Status Summary

Project Name: Asmara Project App. TDHCA #: Unknown

LIHTC 9% LIHTC 4% BOND HOME HTF HSG INFRAS OTHER

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments: _____

Completed by: Luiz Tavares Date: 5-23-2002

Program Monitoring – High-Risk HOME Contractors Monitored by Dept

Status of Findings (any unresolved findings are listed below)

monitoring review not applicable monitoring review pending
 reviewed; no unresolved issues reviewed; unresolved issues found

Comments: _____

Completed by: Ralph Henderson Date: 5/23/2002

Housing Compliance Review

Project(s) in material non-compliance
No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by Department

reviewed 3 # not yet monitored or pending review 6

of projects grouped by score
0-9 8 10-19 1 20-29 _____

Has any party of the development team been disbarred by HUD? Yes No

Projects Monitored by Other States

Not applicable No violations reported Violations reported

Completed by: Jo En Taylor Date: 5/23/2002

Compliance Final: Debra Carr, Newman Date: 5-23-2002

Status Summary

ID Number: _____

Project Name: Asmara Project Application

City: _____

Development Team

Asmara Affordable Housing, Inc.

John G. Hoffer

The NHP Foundation

Ghebre Selassie Mehreteab

Joseph A. Wiedorfer

Rich A. Gollub

Carol Young

Katie Harris

LeSalle D. Lefall, III

Role

Owner/Applicant Name

Vice President

Sole Member of Owner

President and CEO

V. President & Assistant Secretary

Treasurer

Director

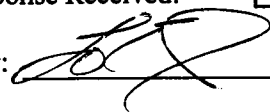
Director

Member

Projects/Contracts Monitored by Texas Department of Housing and Community Affairs

Program	ID #	Project Name	Score(*)
BOND/AHDP	MF007/794839127	Arbours East Apartments	N/A
BOND/AHDP	MF010/328155863	Wellington Place Apartments	5
BOND/AHDP	MF012/6533605421	Highlands Apartments	N/A
BOND/AHDP	MF013/573341355	Creek Hollow Apartments	N/A
BOND/AHDP	MF015/669126325	Oak Brook Apartments	4
BOND/AHDP	MF008/986559069	Azalea Court Apartments	N/A
BOND/AHDP	MF009/968559069	Players Club Apartments	11
BOND/AHDP	MF011/49300535	Heritage Square Apartments	N/A
BOND/AHDP	MF014/388746427	Stone Ridge Apartments	N/A

Out of State Response Received: YES NO NOT APPLICABLE

Completed by: 

Date: May 23, 2012

(*)Score/Status column will indicate: N/A, if a review has not been conducted or the results are pending.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE REFUNDING BONDS
(NHP FOUNDATION - ASMARA PROJECT) SERIES 2002

PUBLIC HEARING

Meeting Room
East Arlington Branch Library
1624 New York
Arlington, Texas

Tuesday,
June 4, 2002
7:15 p.m.

BEFORE :

CHAD LANDRY, TDHCA

P R O C E E D I N G S

1
2 MR. LANDRY: Good evening. My name is Chad
3 Landry. I would like to proceed with the public hearing.

4 Let the record show that it is 7:15 p.m.,
5 Tuesday, June 4, 2002, and we're at the East Arlington
6 Branch Library located at 1624 New York, Arlington, Texas.

7 I am here to conduct a public hearing on behalf
8 of the Texas Department of Housing and Community Affairs
9 with respect to an issue of multifamily housing mortgage
10 revenue bonds, the Series 2002 bonds, for nine residential
11 communities.

12 This hearing is required by the Internal
13 Revenue Code. The sole purpose of this hearing is to
14 collect comments that will be provided to the highest
15 elected official with jurisdiction over the issue, which
16 for this issue is the Attorney General.

17 No decisions regarding the project will be made
18 at this hearing. There are no Department board members
19 present.

20 It is expected that the Department's board will
21 meet to consider the transaction on July 11, 2002, upon
22 recommendation by the Finance Committee.

23 In addition to providing your comments at this
24 hearing, the public is also invited to provide comment
25 directly to the finance committee or the board at any of

1 their meetings.

2 The Department staff will also accept written
3 comments from the public via facsimile at 512-475-3362 up
4 to 5:00 p.m. on July 1, 2002.

5 The bonds will be issued as tax-exempt
6 multifamily mortgage revenue bonds in the aggregate
7 principal amount not to exceed \$31,500,000 and taxable
8 bonds, if necessary, in an amount to be determined.

9 The bonds will be issued in one or more series
10 by the Texas Department of Housing and Community Affairs,
11 the "Issuer."

12 The proceeds of the bonds will be loaned to
13 Asmara Affordable Housing, Inc., or a related person or
14 affiliated entity thereof, for the following purposes:

15 One, paying a portion of the costs of issuing
16 the Series 2002 bonds.

17 Two, refunding the Issuer's multifamily
18 mortgage revenue bonds, NHP Foundation/Asmara Project,
19 Series 1996, the "Series 1996 Bonds," the proceeds of
20 which were loaned to the corporation to (a) finance the
21 acquisition and rehabilitation of nine multifamily housing
22 residential projects, collectively, the "Project,"
23 described as follows:

24 One, Arbor East Apartments, 1615 John West
25 Road, Dallas, Texas, 75228. There are 300 units.

1 Two, Azalea Courts, 1721 John West Road,
2 Dallas, Texas, 75228, with 57 units.

3 Three, the Players Club Apartments, 2525
4 Players Court, Dallas, Texas, 75287, with 320 units.

5 Wellington Place, 9940 Forest Lane, Dallas,
6 Texas, 75243, with 164 units.

7 Heritage Square Apartments, 4753 Duncanville
8 Road, Dallas, Texas, 75236, 112 units.

9 Highlands Apartments, 2359 Highland Road,
10 Dallas, Texas, 75228, 136 units.

11 Creek Hollow Apartments, 6218 Finbro Drive,
12 Fort Worth, Texas, 76133, 120 units.

13 Stone Ridge Apartments, 600 East Arkansas Lane,
14 Arlington, Texas, 76014 with 204 units.

15 And Oak Brook Apartments, 5353 DeSoto Avenue,
16 Houston, Texas, 77091, with 222 units.

17 And (b), to pay certain costs of issuing the
18 Series 1996 bonds.

19 And (3), financing the costs of rehabilitation
20 of a portion of the project.

21 The proposed multifamily rental housing
22 community will be initially owned and operated by Asmara
23 Affordable Housing, Inc., or a related person or affiliate
24 thereof.

25 I would now like to open the floor for public

1 comment. And I don't have anybody written down to speak.

2 Would anybody like to speak?

3 (No response.)

4 MR. LANDRY: No public comment? Okay. I'd
5 like to remind everybody that you can fax public comment
6 to us at 512-475-3362 up to 5:00 p.m. on July 1, 2002.

7 Thank you for the time. The meeting is now
8 adjourned. The time is 7:21. Thank you very much.

9 (Whereupon, at 7:21 p.m., the hearing was
10 concluded.)

C E R T I F I C A T E

1
2
3 IN RE: MULTIFAMILY HOUSING REVENUE REFUNDING
4 BONDS (NHP FOUNDATION - ASMARA PROJECT)
5 SERIES 2002

6 LOCATION: Arlington, Texas

7 DATE: June 4, 2002

8 I do hereby certify that the foregoing pages,
9 numbers 1 through 6, inclusive, are the true, accurate,
10 and complete transcript prepared from the verbal recording
11 made by electronic recording by Gay Denton before the
12 Texas Department of Housing and Community Affairs.

(Transcriber) 6/7/2002
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

NHP FOUNDATION - ASMARA PROJECT
SERIES 2002

PUBLIC HEARING

Forest Green Library Auditorium
9015 Forest Lane
Dallas, Texas

Tuesday, June 4, 2002
7:00 p.m.

BEFORE :

STEPHEN APPLE, Multifamily Loan Officer and
Preservation Coordinator

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
John Hoffer, Director ASMARA Affordable Housing, Inc.	7
Carla Bednar, Manager Players Court Apartments, Dallas	9
Damon Nicholas, Manager Wellington Place Apartments, Dallas	10
Joseph Kinsella, Special Projects Manager Corcoran and Jennison Companies	11
Alan Walne, City Council Member District 10, Dallas	11
Sharon Smole, Dallas	16

P R O C E E D I N G S

(7:30 p.m.)

1
2
3 VOICE: We can go ahead.

4 MR. APPLE: I'll read a speech, and then I'll
5 read down the list of names and ask everybody who signed
6 in if they would like to make comments for the record.
7 These -- this transcript will be provided to our board
8 when they're making a decision on whether to finance this
9 project or not.

10 And if you have comments to make, I would like
11 to ask you to come up front and speak into the microphone
12 just so that we can adequately get those on the record.
13 And is there anybody who has not signed in?

14 (Pause.)

15 MR. APPLE: Everyone has signed in? Okay.
16 We'll go ahead and begin.

17 Good evening. My name is Stephen Apple. I
18 would like to proceed with the public hearing. Let the
19 record show that it is --

20 Does anybody have the time?

21 VOICE: 7:33.

22 MR. APPLE: -- approximately 7:30 Tuesday, June
23 4, 2002. And we are at the Forest Green Library, located
24 at 9015 Forest Lane in Dallas, Texas. I'm here to conduct
25 a public hearing on behalf of the Texas Department of

1 Housing and Community Affairs with respect to an issue of
2 multifamily rental housing mortgage revenue bonds,
3 hereinafter referred to as the Series 2002 bonds, for nine
4 residential rental communities.

5 This hearing is required by the Internal
6 Revenue Code. The sole purpose of this hearing is to
7 collect comments that will be provided to the highest
8 elected official with jurisdiction over the issue, which
9 for this issue is the Attorney General of Texas. No
10 decisions regarding the project will be made at this
11 hearing.

12 There are no Department board members present.

13 It is expected that the Department's board will meet to
14 consider the transaction on July 11, 2002, upon
15 recommendation by the finance committee.

16 In addition to providing your comments at this
17 hearing, the public is also invited to provide comment
18 directly to the finance committee or the board at any of
19 their meetings. The Department staff will also accept
20 written comments from the public up to 5:00 p.m. on July
21 1, 2002. And if you would like to fax those comments to
22 us, our fax number is area code 512-475-3362.

23 The bonds will be issued as tax-exempt
24 multifamily mortgage revenue bonds in the aggregate
25 principal amount not to exceed 31,500,000 and taxable

1 bonds if necessary in an amount to be determined. The
2 bonds will be issued in one or more series by the Texas
3 Department of Housing and Community Affairs, hereinafter
4 referred to as the issuer. Or maybe it's actually
5 referred to as the Department. I'm not sure.

6 The proceeds of the bonds will be loaned to
7 ASMARA Affordable Housing, Inc., or a related person or
8 affiliated entity thereof for the following purposes:
9 One, paying a portion of the cost of issuing the Series
10 2002 bonds; two, refunding the issuer's multifamily
11 mortgage revenue bonds NHP Foundation ASMARA Project
12 Series 1996, hereinafter referred to as the Series 1996
13 Bonds, and; three, financing the costs of rehabilitation
14 of a portion of the project.

15 The original Series 1996 bonds were issued to
16 finance the acquisition and rehabilitation of nine
17 multifamily rental -- residential rental projects
18 collectively, the project described as follows: The Arbor
19 East Apartments, a 300-unit complex at 1615 John West
20 Road, Dallas, Texas 75228 zip code; the Azalea Courts
21 Apartments, a 57-unit complex located at 1721 John West
22 Road, Dallas, Texas 75228 zip code; the Players Club
23 Apartments, a 320-unit complex located at 2525 Players
24 Court, Dallas, Texas 75287; the Wellington Place
25 Apartments, a 164-unit complex located at 9940 Forest

1 Lane, Dallas, Texas 75243; the Heritage Square Apartments,
2 a 112-unit complex located at 4753 Duncanville Road,
3 Dallas, Texas zip code 75236; the Highlands Apartments, a
4 136-unit complex located at 2359 Highland Road, Dallas,
5 Texas, zip code 75228; the Creek Hollow Apartments, a 120-
6 unit complex located at 6218 Finbro Drive, Fort Worth,
7 Texas, zip code 76133; the Stone Ridge Apartments, a 204-
8 unit complex located at 600 East Arkansas Lane, Arlington,
9 Texas, zip code 76014, and; the Oak Brook Apartments, a
10 222-unit complex located at 5353 De Soto Avenue, Houston,
11 Texas 77091.

12 And the original Series 1996 bonds were also
13 issued to pay certain costs of issues or -- certain costs
14 of issuance. The proposed multifamily rental housing
15 community will be initially owned and operated by ASMARA
16 Affordable Housing, Inc., or a related person or
17 affiliated thereof.

18 I would now like to open the floor for public
19 comment, and I will go ahead and read down the list of
20 attendants at the hearing.

21 And John Hoffer, would you like to speak for
22 the record?

23 MR. HOFFER: Sure. Should I come up there?

24 MR. APPLE: Yes. You can come up and go ahead
25 and say what you would like to into the microphone. Go

1 ahead and sit there.

2 MR. HOFFER: For the record, my name is John G.
3 Hoffer; I'm a director of ASMARA Affordable Housing, Inc.,
4 and an officer of the NHP Foundation. The NHP
5 Foundation -- let me turn around because I feel kind of
6 funny not facing most of the room.

7 The NHP Foundation is a -- well, ASMARA
8 Affordable Housing, Inc., is a nonprofit, non-stock member
9 corporation, and the NHP Foundation is its sole member.
10 We own -- we, being the NHP Foundation, own 43 affordable
11 housing communities nation wide, in 14 states, with
12 approximately 8,500 units.

13 And I was just trying to calculate a little
14 while ago -- since I've been with the company, for the
15 last five years, I've been -- I've supervised
16 approximately \$25 million of rehabilitation in all of our
17 properties, which is quite a bit of money, but it's
18 nowhere near enough for affordable housing. The needs of
19 affordable housing in terms of rehabilitation,
20 particularly older affordable housing, which is what we
21 deal with -- we buy older properties and restrict their
22 use to affordable housing.

23 That need is much, much greater than the
24 sources that are out there. And that's really why we're
25 doing this refinancing -- there are two reasons. The

1 number one reason is that we will get -- over the life of
2 the bonds, we'll have some net savings based on the
3 interest.

4 However, the bigger reason for us to do this is
5 the need to do some rehabilitation on the property. So as
6 part of this refinancing, we're going to be spending \$3
7 million of the bond proceeds to rehabilitate the
8 properties. And, again, that -- this is a great need of
9 affordable housing everywhere, not just in this community
10 and not just with our properties.

11 But the typical model for housing is that the
12 owners take cash out of their properties and then, after a
13 period of time, they convert those properties to higher
14 economic use or they refinance and raise the rents. Well,
15 we can't do that, nor would we ever want to do that. So
16 we're very thankful that we have the ability to take
17 advantage of some built-in equity in ASMARA to refinance
18 and take some cash out to do these sorts of improvements.

19 I think, beyond that --

20 MR. APPLE: Is that it?

21 MR. HOFFER: That's it.

22 MR. APPLE: Okay.

23 The next person on the list is Carla Bedene?

24 MS. BEDNAR: Bednar.

25 MR. APPLE: Bednar? Okay. Do you have any

1 comments you would like to make?

2 MS. BEDNAR: Sure. Is it okay if I stand?

3 MR. APPLE: I'm sorry?

4 MS. BEDNAR: Is it okay if I stand?

5 MR. APPLE: Will it pick up from -- standing
6 up? Okay.

7 MS. BEDNAR: My name is Carla Bednar, and I'm
8 the manager at Players. And it is a -- we have 300 --

9 MR. APPLE: Just a minute.

10 MS. BEDNAR: Okay.

11 (Pause.)

12 MS. BEDNAR: Anyway, my name is Carla Bednar,
13 and I'm the manager at Players. It's a 320-unit property.

14 Resident services is very, very important on those
15 property. I want to let you guys know that we do many
16 things. Our property is in need of painting and some
17 balcony repairs, and we have a little bit of foundation
18 settlement. So that's why those are very important to our
19 property -- the funding is. Basically, that's it.

20 MR. APPLE: Is that it? Okay.

21 Dana Floyd, do you have any comments?

22 (Pause.)

23 MR. APPLE: No.

24 Damon Nicholas?

25 MR. NICHOLAS: Yes. That's me.

1 MR. APPLE: And you can sit or stand or do
2 whatever you'd like.

3 MR. NICHOLAS: I'm a little tall, so it might
4 not reach that high.

5 MR. APPLE: Okay.

6 MR. NICHOLAS: I'm Damon Nicholas; I'm the
7 manager at the Wellington Place Apartments. And I believe
8 our needs for the refinancing would probably be to replace
9 existing balconies and landings which are corroding right
10 now. We have -- one of my properties, Building 9, where I
11 step on the landing and -- it's pretty much about to fall
12 through. I'm a big guy, but we have light women that step
13 on it, too. So I don't want you to blame it on my weight
14 or anything.

15 We have a lot of balcony repairs, exterior
16 lighting and, you know, things that will prevent accidents
17 and crime -- maintenance, you know, with lights -- and all
18 the accidents. So that's what I think I just wanted to
19 say.

20 MR. APPLE: Okay.

21 MR. NICHOLAS: Okay.

22 MR. APPLE: Thank you very much.

23 MR. NICHOLAS: Thank you.

24 MR. APPLE: Joseph Kinsella, do you have any
25 comments you would like to make?

1 (Pause.)

2 MR. KINSELLA: Hi. My name is Joe Kinsella.
3 I'm with Corcoran and Jennison Companies; I'm a special
4 projects manager. I'm down in the Dallas area right now
5 doing the transition reports for these properties and
6 inspecting them, doing a physical inspection of the
7 apartments and the exterior, so I can give NHP an idea of
8 what the physical shape that these properties are in.

9 I inspected both of these properties today and
10 yesterday: Wellington Place, which is definitely in need
11 of repairs, and the Players Club. And if any residents or
12 anybody has any questions regarding Corker and Jennison,
13 I'll be more than happy to try to answer your questions.

14 Do you want to go through --

15 MR. APPLE: Well, is it okay if we go ahead and
16 read through the list of names to get comments? And then,
17 if you have any other questions or you may have
18 comments -- you're coming up on the list here soon -- then
19 at the end of the hearing, we can address anything else.

20 Alan Walne, do you have any comments you would
21 like to make?

22 MR. WALNE: Yes, thank you.

23 I'm Alan Walne, and I represent District 10 of
24 the Dallas City Council, in which the Wellington Place
25 apartment complex at 9940 Forest Lane is located. Upon

1 hearing of this request, I had requested some information
2 from our Dallas police department in regard to calls for
3 service at this property. And frankly, I am concerned
4 two-fold.

5 Number one is I don't think that the
6 prospective buyer is aware -- from comments made earlier
7 this evening -- and at the same time, I want to make sure
8 that costs associated with the possibility of additional
9 security measures needed at this complex might be
10 addressed.

11 Since January of last year, this particular
12 apartment complex has had 297 calls for service. That's
13 over a 17-month period, and that essentially would break
14 down to about a call every other day for service at this
15 complex.

16 I had spoken earlier today to Robert Onion with
17 the Texas Department of Housing and was under the
18 understanding that in fact, the applicant was not a CHDO
19 and would not in fact be asking for any additional tax
20 relief from the standpoint of not being in a situation of
21 paying school or city taxes or anything of that nature.
22 However, I'm disturbed that -- to find this evening that
23 that's not the case.

24 I had spoken with Randy Reed earlier in the day
25 today. Randy Reed is the Assistant Superintendent for

1 Richardson Independent School District, and he had
2 indicated a willingness to come this evening if in fact
3 that were the case, that they were a CHDO, and that there
4 might be some type of a possibility of effect on taxes as
5 it applies to the school district. I had told him at the
6 time that I had in fact had the conversation with Mr.
7 Onion and it didn't look like that was the case. And so
8 therefore neither he nor a representative -- I don't
9 believe -- of the school district is here this evening.

10 At this point, I'd have to say that I am
11 against the funding from the standpoint of Wellington
12 Place unless certain issues are resolved, one of those
13 being the crime issue, making sure of what kind of
14 background checks they're going to be taking, as well as
15 the fact of the possibility of additional security fencing
16 and perhaps gates at the front entrance and making sure
17 that those folks that are on the property are property
18 renters or guests of those that are there.

19 Also, in regard to the social services being --
20 to be presented in a plan to the State, this particular
21 complex in '96, when, I believe, the first round of
22 financing was done on this, there were actually 17 school-
23 aged children that were living in this apartment complex
24 according to the numbers provided by the district,
25 Richardson Independent School District. There are now 51

1 school-aged children in this apartment complex.

2 This particular portion of Dallas, in northeast
3 Dallas, is the highest density of affordable housing in
4 the city of Dallas out of the 14 districts in the city.
5 And so therefore there is a certain demand placed upon the
6 schools in this area as it applies to at-risk students. I
7 would want to make sure that in that service plan, in
8 fact, there is an allocation being made for after-school
9 tutoring programming for those kids to be coordinated with
10 the local elementary schools.

11 It is disturbing from the standpoint of finding
12 this evening that in fact, the new management or -- there
13 is a new management company coming on, not knowing any of
14 the past history of that particular group and what may or
15 may not be happening.

16 But I would look forward to the opportunity to
17 speak with the applicant as well as the management company
18 as to these particular issues and, at the same time, will
19 be in contact with both Senator Carona and the state
20 representatives from the area to make sure that the best
21 for this property is looked after. And I appreciate the
22 opportunity to speak this evening.

23 MR. APPLE: Thank you for your comments.

24 Sabrin Basile?

25 MS. BASILE: Excuse me.

1 MR. APPLE: Yes.

2 MS. BASILE: Good evening -- I live at
3 Wellington Place, and I have a lot of things that I and
4 some others would like to talk to you about. It's really
5 bad. One of my friends is so desperate. She has been
6 broken in her home six times. She's not well.

7 (Pause.)

8 MR. APPLE: Okay.

9 Karen Schaffer, do you have any comments you'd
10 like to make?

11 MS. SCHAFFER: I'm not going to make any
12 comments.

13 MR. APPLE: Okay.

14 Forgive me if I read your name wrong. Susan or
15 Sharon?

16 MS. SMOLE: Yes.

17 MR. APPLE: Do you have any comments you would
18 like to make for the record now?

19 MS. SMOLE: Yes.

20 MR. APPLE: And could you state your name when
21 you come up?

22 MS. SMOLE: Do you want me to stand up and
23 state it?

24 MR. APPLE: No. You can sit down if you'd
25 like. Either way.

1 MS. SMOLE: My name is Sharon Small [phonetic].
2 I'd like to represent more than myself because there's a
3 couple of other ladies -- one who used to live there until
4 recently, and the other one's still there -- and the lady
5 who moved out -- she had a grandson. She needed a two-
6 room apartment. She lived there more -- she was there
7 before I came about a little less than six years ago.

8 The assistant manager told her she could not
9 move into another apartment without charging her something
10 like \$250. She had already paid a deposit when she moved
11 there. She repeatedly asked them to clean her carpet;
12 they wouldn't do it. And there are other repair problems
13 and things. But she had to move because she could not
14 afford that fee.

15 And I could go on and on, but I'll just say a
16 few things. This other woman has been in a wheelchair a
17 lot. She was in a hospital from a stroke over a year ago,
18 and her car was out in the parking lot and was towed away.

19 This has happened to another, a neighbor above
20 me. Their family would visit them, you know, just to
21 visit like New Year's or something or a Sunday afternoon.

22 And they would tow their car away. They had to get a
23 number to call from the first lady I mentioned to get
24 their car back. And every time they tow it away, it's
25 over \$100; they can't afford it.

1 This other lady who's in the wheelchair a lot,
2 with her car -- she came out one day and was out in the
3 parking lot. And a bunch of neighbors ganged up on her.
4 This is her story, and she said that Chanel [phonetic],
5 the assistant manager, was there among them. I would like
6 you to talk to her because she has got more to say than I
7 do. And they won't clean her carpet.

8 We've had repair men, maintenance men, but very
9 few good ones. Twice since I've been there, there were
10 two good maintenance men. And they don't last because,
11 apparently, they -- the management -- not the present
12 manager, but before -- would do something that -- they
13 would leave.

14 One of them left because -- his story was he
15 got a couple of days off to visit his family because he
16 had an emergency. And he comes back, and the manager at
17 that time fires him making some excuse, claiming he left
18 work without giving a reason. We need good maintenance
19 men; we need them badly. That man and the later
20 maintenance man whose name was Wayne -- they both told me
21 that they need three men, there's so much work over there.

22 And they have to work on the air-conditioners
23 before something else, and they don't maintain the air-
24 conditioners right. These ignorant men they have don't
25 maintain them right, and they run down and break down.

1 And they'll squeal. The fans go around in squeals and
2 squeals, and it's irritating. There's one like that now,
3 and I didn't call it in because I didn't have time; I was
4 too busy with other stuff.

5 And there's so many things that -- I could go
6 on and on. I don't think you've got a lot of time. This
7 is why I want to talk to somebody in person and I'd like
8 my friends to be able to meet someone in person. And in
9 the -- lady who's often in a wheelchair is afraid to speak
10 up for fear she will be kicked out because she knows of
11 three other women who got kicked out for simply
12 complaining about legitimate things.

13 Another lady moved about a year ago. She had a
14 \$1,000 computer with a bunch of other equipment and desks
15 and stuff. And she said the ceiling fell in. It rotted
16 and fell in. And the manager at that time would not pay
17 her anything for it.

18 Every manager that has been there since I've
19 been there says they don't have enough money. They let
20 the landscaping run down; they don't repair the
21 sprinklers. They give you the excuse, Oh, the kids keep
22 busting them. Well, nobody's taking care of these kids.

23 Kids at night every night bang the overhang of
24 the parking next to my friend's apartment -- bang, bang,
25 bang with the basketballs every night up to 11 o'clock.

1 She has been witness to arguments of -- people arguing
2 about dope and stuff. The police have been out there in
3 her part of the apartments arresting people that had a
4 whore house in one of those apartments.

5 Fortunately, I don't live in that part, but I
6 don't want to stay there if something isn't done to stop
7 this. I don't believe it deserves funding until they have
8 an establishment of godly, righteous people to run the
9 place and decent wages to keep them there and people that
10 would treat residents fairly, not falsely accuse them.

11 One manager -- not the one now, but one
12 before -- falsely accused me of getting in the trash and
13 loading up a grocery cart of stuff. It was a damn lie.
14 Kids told her that. Kids -- they believed a bunch of
15 lying little brats. I had a witness to prove that I
16 didn't do that and I didn't do some other things.

17 I had neighbors falsely accuse me. They rent
18 to some horrible neighbors sometimes. This is before the
19 present manager. And they falsely accused me when I was
20 trying to help them with something. And the neighbor lady
21 above who has now moved away was a witness that I had
22 tried to help the woman and that woman falsely accused me
23 and lied to the manager. And the manager would rather
24 believe them.

25 We need people of godly, upstanding character.

1 Without that running any business, it's going to go
2 caput.

3 They won't keep up on the yard. They look --
4 they have these wooden logs that are rotting way for
5 terraces. About a year or so ago, I told them that they
6 needed to be replaced with brick or rock, and I suggested
7 that perhaps the horticulture students at the college
8 could do it for less. Well, I don't know if that can be
9 arranged or not, but they said they would do something
10 about it, and nothing was done.

11 They'll often say something will be done about
12 something, and nothing is done. I had to call the City of
13 Dallas, the water department, to tell them they would not
14 repair a leaky faucet that ran several days. Then the
15 city comes out and makes them repair it and leaks. An
16 old, leaky pipe down underground has leaked since before I
17 moved there. And they finally fixed that.

18 They won't listen to us, you see. Sometimes
19 they have. Some managers have listened to me and helped
20 me. But there's always somebody complaining about
21 something or other. And since the -- in the last year, it
22 has just gotten worse and worse.

23 And they have these damn boom-boom cars on our
24 property and next-door at Players Club -- boom, boom,
25 boom, boom -- driving you out of your apartment, wake you

1 up at night, hurts my ears and hurts other people's ears.

2 Now they don't have somebody on the property for you to
3 call to get them to turn it off or even give them a
4 ticket. If you have to wait for the Dallas police, it
5 takes a long time. Fortunately, sometimes I can ask them
6 to turn it off, and they will. But some of them people
7 are just plain nasty and bullies.

8 And it's just -- it's horrible that you can't
9 stay in your apartment in peace, if you're sick, if it's
10 too hot to go outside and walk around for an hour, or
11 whatever, because of the damn noise. I would like to
12 stay, but I'm afraid to stay if there's -- this is not
13 improved.

14 And my friend in the wheelchair is scared; she
15 has been broken in on at least five or six times, twice
16 when she was in there. They've stolen every thing of
17 value she had. She's kind of like terrorized. She's
18 helpless. Do you understand? Having had a stroke and not
19 able to walk around very much without a walker -- try to
20 put yourself in her position.

21 Why refinance something that has gone downhill
22 and they won't fix it up? We need godly people who can --
23 who even know how to save money, who have common sense and
24 respect and care for residents. And for those residents
25 that cause trouble -- they should kick them out, not

1 tolerate them, not join with them against somebody that
2 they are ganging up against and falsely accusing about
3 their car or some other thing.

4 And I'd rather you listen to the details of a
5 couple of my friends because I can't remember everything,
6 anyway. And I don't know how much time we've got. I'll
7 say one thing about this lady with the car and the
8 wheelchair. She -- her car was parked out there, and a
9 neighbor lady falsely accused her of hitting her car with
10 it. That car had been there since she was in the
11 hospital; she hadn't been in it.

12 At this time, she couldn't drive anywhere, and
13 that neighbor lady insisted that she busted her car light
14 with her car by backing into it. No way. She had to call
15 her insurance man out to prove it, that that car had not
16 moved. Would you want to live with that? That kind of
17 stuff would drive me crazy, and this lady I speak of has
18 had more of that than I have.

19 I ask for God's mercy, and I ask for a total
20 reversal of this. I really mean it. She couldn't come
21 here to speak for herself because she had to go to a
22 meeting. And I have other things she said, but I didn't
23 bring the paper.

24 MR. APPLE: May I point out at this point that
25 this won't necessarily be your only opportunity to make

1 public comments and that if you would like to send further
2 comments to us in writing --

3 MS. SMOLE: I can't write legibly. Can I send
4 it in tape cassette?

5 MR. APPLE: That would be acceptable, too. And
6 we -- if you would like me to, I would play that tape
7 cassette for our board at a public hearing. Did you get a
8 copy of my card?

9 MS. SMOLE: Yes. He gave me one. I'd like
10 to --

11 MR. APPLE: Would you like me to give you some
12 extras for your acquaintances?

13 MS. SMOLE: Yes, to give to my friends.

14 (Pause.)

15 MS. SMOLE: I just -- I mean it's really a
16 sense of desperation because we feel so helpless. We
17 don't know what to do. And there are other people there.
18 And whoever passed out the notice to this meeting, they
19 gave it to little kids who couldn't reach up and stick it
20 in those little clamp things. So a lot of them got blown
21 away by the wind.

22 MR. APPLE: Okay.

23 MS. SMOLE: By the way, they have the
24 sprinklers that come on in the morning.

25 MR. APPLE: And this says 214/342-2910?

1 MS. SMOLE: Yes.

2 MR. APPLE: Okay. I'll be sure to call you
3 next week and make sure that you have --

4 MS. SMOLE: I'll be gone on Tuesday.

5 MR. APPLE: -- will be able to provide further
6 comment to our board.

7 MS. SMOLE: And I have an answering machine.
8 You can leave a message.

9 MR. APPLE: Okay.

10 MS. SMOLE: Thank you, very much.

11 MR. APPLE: Thank you, very much, for your
12 comments.

13 And is there anybody else who would like to
14 provide an further comments for the record?

15 (No response.)

16 MR. APPLE: It appears that nobody else has any
17 other comments to make. Therefore, I would like to close
18 the public hearing. And does anybody have the time?

19 VOICE: It's 8:10.

20 MR. APPLE: 8:10?

21 Let the record show that the time is 8:10 p.m.
22 and the meeting is now adjourned. Thank you, very much,
23 for coming.

24 (Whereupon, at 8:10 p.m., this public hearing
25 was concluded.)

C E R T I F I C A T E

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MEETING OF: Texas Department of Housing and Community
Affairs Public Hearing
NHP Foundation ASMARA Project Series 2002

LOCATION: Forest Green Library Auditorium
Dallas, Texas

DATE: June 4, 2002

I do hereby certify that the foregoing pages,
numbers 1 through 25, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Judy Farnsworth before the
Texas Department of Housing and Community Affairs.

(Transcriber) 06/17/2002
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

NHP FOUNDATION - ASMARA PROJECT
SERIES 2002

PUBLIC HEARING

Bayles Elementary School Auditorium
2444 Telegraph Road
Dallas, Texas

Tuesday, June 4, 2002
7:00 p.m.

BEFORE:

MARLIN WAYNE HARLESS, Multifamily Loan Officer

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
Carolyn Wimberly, resident Highland Apartments, Dallas	6
Chuck Wilkerson, resident Highland Apartments, Dallas	8
Veronica Ross, resident Highland Apartments, Dallas	9
Margaret Franklin, resident Arbor East Apartments, Dallas	11
Bobbie Calhoun, resident Arbor East Apartments, Dallas	12
Marilyn Harold, resident Arbor East Apartments, Dallas	14
Kenneth Harold, resident Arbor East Apartments, Dallas	17

P R O C E E D I N G S

(7:37 p.m.)

1
2
3 MR. HARLESS: Good evening. My name is Wayne
4 Harless. I would like to proceed with the public hearing.

5 Let the record show that it is 7:37 p.m. Tuesday, June 4,
6 2002. And we're at the Bayles Elementary School
7 auditorium, located at 2444 Telegraph Road, Dallas, Texas.

8 I am here to conduct a public hearing on behalf
9 of the Texas Department of Housing and Community Affairs
10 with respect to an issue of multifamily rental housing
11 mortgage revenue bonds, Series 2002, for nine residential
12 rental communities. This hearing is required by the
13 Internal Revenue Code.

14 The sole purpose of this hearing is to collect
15 comments that will be provided to the highest elected
16 official with jurisdiction over this issue, which in this
17 case is the State Attorney General. No decisions
18 regarding the project will be made at this hearing. There
19 are no Department board members present.

20 It is expected that the Department's board will
21 meet to consider this transaction on July 11, 2002, upon
22 recommendation by the finance Committee. In addition to
23 providing your comments at this hearing, the public is
24 also invited to provide comment directly to the finance
25 Committee or the board at any of their meetings. The

1 Department staff will also accept written comments from
2 the public via facsimile at (512) 475-3362 up to 5:00 p.m.
3 on July 1, 2002.

4 The bonds will be issued as tax-exempt
5 multifamily mortgage revenue bonds in the aggregate
6 principal amount not to exceed \$31,500,000 and taxable
7 bonds if necessary in an amount to be determined. The
8 bonds will be issued in one or more series by the Texas
9 Department of Housing and Community Affairs, the issuer.

10 The proceeds of the bonds will be loaned to
11 ASMARA Affordable Housing, Inc. or related person or
12 affiliated entity thereof for the following purposes:
13 One, paying a portion of the costs of issuing the Series
14 2002 bonds; two, refunding the issuer's multifamily
15 mortgage revenue bonds, NHP Foundation-ASMARA Project,
16 Series 1996 bonds, the proceeds of which were loaned to
17 the corporation to finance the acquisition and
18 rehabilitation of nine multifamily housing residential
19 rental projects, collectively known as the project,
20 described as follows -- and there are nine of these
21 properties that I will list here: Arbors East Apartments
22 at 1615 John West Road, Dallas, Texas 75228, 300 units;
23 Azalea Courts at 1721 John West Road, Dallas, Texas 75228,
24 57 units; Players Club Apartments at 2525 Players Court,
25 Dallas, Texas 75287, 320 units; Four, Wellington Place,

1 9940 Forest Lane, Dallas, Texas 75243, 164 units; fifth,
2 Heritage Square Apartments, 4753 Duncanville Road, Dallas,
3 Texas 75236, 112 units; Number Six, Highland Apartments,
4 2359 Highland Road, Dallas, Texas 75228, 136 units; Number
5 Seven, Creek Hollow Apartments, 6218 Finbro Drive, Fort
6 Worth, Texas 76133, 120 units; Eight, Stone Ridge
7 Apartments, 600 East Arkansas Lane, Arlington, Texas
8 76014, 204 units, and; last, Number Nine, Oak Brook
9 Apartments at 5353 De Soto Avenue, Houston, Texas 77091,
10 consisting of 222 units, and also be to pay certain costs
11 of issuing the Series 1996 bonds and, Number Three,
12 financing the costs of rehabilitation of a portion of the
13 project, the project, of course, being the nine properties
14 I just referenced.

15 The proposed multifamily rental housing
16 community will be initially owned and operated by ASMARA
17 Affordable Housing, Inc. or related person or affiliate
18 thereof.

19 I would like to now open the floor for public
20 comment. As I had mentioned before the public hearing
21 started, if you have -- if you've signed up to speak or
22 even if you haven't, when I ask for you to, please come
23 forward and speak into the microphone at the podium. And
24 we'll record your comments.

25 And I'd like to begin with Carolyn -- is it

1 Wimberly?

2 MS. WIMBERLY: Yes.

3 MR. HARLESS: Please.

4 MS. WIMBERLY: If I may?

5 MR. HARLESS: You're the only one that wrote
6 that they would like to speak for the project. I think
7 there's a lot of other people that may speak after you
8 start the ball rolling, but we'll see.

9 (Laughter.)

10 MS. WIMBERLY: Good evening. My name is
11 Carolyn Wimberly, and I am a resident at the Highland
12 Apartments. And I am here today because I am interested
13 not only in the Highland Apartments; I'm interested in the
14 community in general.

15 I just left another meeting, which is the
16 reason why I arrived late. And what we are doing is still
17 try to pull this community together so there will be
18 something positive come out of it. Particularly, we're
19 talking about safety and children.

20 I heard the lady back here talking about the
21 trash and everything. I understand what you are saying.
22 My main goal is to be able to walk from my door to my car
23 and feel safe. I can walk over some trash. For that kind
24 of problem, you need to turn to the City of Dallas and
25 make them get on it. I don't care what their budget

1 problem is. They need to get on top of that.

2 But as I stated, my main concern is public
3 safety. We have a problem here with crime. We need more
4 security. We need people in the apartment complexes to
5 get more involved. We have a crime watch program at the
6 Highlands, and, at this point, it has been successful
7 because we was able to pull the residents together. It's
8 slowly dwindling downward, and the crime rate is beginning
9 to rise again.

10 Now, I'm working with a group of children who
11 are our eyes and ears and who are being trained to watch
12 out and report back to us. That seems to be working, but
13 then you have to keep in mind these are children. We need
14 adult participation. We need management participation.
15 We need whoever it takes to get involved.

16 Public safety is not only an issue in this
17 apartment area or this apartment community; it is an issue
18 in this country, and until we get the money and the people
19 involved, I don't understand what we're going to do from
20 this point on. If you can't lay down in your house and
21 sleep in peace at night, we definitely have a problem.

22 I know everybody has been focusing on terrorism
23 and the World Trade Center. It's the same thing that's
24 happening right outside your door. And you see how the
25 country came together at that point. Why can't somebody

1 have a heart and come to the aid of the apartment people
2 that live in this community? We're fighting a war, too.

3 And there's a lot of honest, hard-working,
4 positive and productive people that live in apartment
5 complexes; unfortunately, all of us are not financially
6 set enough to buy homes and settle in. And even when you
7 buy a home, how safe are you there?

8 So it starts from the apartment complexes, and,
9 like I said, it's going to take all of us. And that's
10 everybody, not only the people that live in it, but
11 anybody that has any interest in an apartment.

12 Whether you are the management, whether you're
13 the owner or whether you're the senator or the governor or
14 the president, it's time to start looking at preserving
15 life for people and giving people a decent and comfortable
16 place to live. And that's all I have to say.

17 (Applause.)

18 MR. HARLESS: Thank you.

19 Any -- would anybody else like to speak?

20 (Pause.)

21 MR. HARLESS: Please state your name for the
22 record.

23 MR. WILKERSON: Okay. My name is Chuck
24 Wilkerson. I live at 2359 Highland Road, Apartment 220.
25 And mine's about security.

1 And I've been there since 1986. I've seen a
2 lot of cars stolen and a lot of broken windows. I've seen
3 no security. You call. You don't -- get no response.
4 And I requested cameras and security guards on foot at
5 least from 6:00 p.m. to 6:00 a.m. No response. Someone
6 has to do something, because you pay and pay. I know mine
7 has been broken in ten times.

8 And I've seen -- we've had fences broken down.
9 They've been replaced at least three times since I've
10 been there. We've got an alley where you can go in the
11 back, and people just are kicking them in. There's a back
12 alley driveway where people jump over the fence, and I
13 asked, "Why couldn't we just replace them with something
14 that they couldn't go over," because I've noticed other
15 apartments have had them. That's about it.

16 (Applause.)

17 MR. HARLESS: Thank you.

18 I believe we have another speaker. Please
19 state your name for the record.

20 MS. ROSS: Hi. My name is Veronica Ross; I'm a
21 resident of the Highlands Apartments, 2359 Highland Road.

22 I'm going to be brief because Ms. Wimberly pretty much
23 summed up everything in a nutshell.

24 However, I won't say one of my biggest
25 concerns, but one of my concerns are the big potholes that

1 suck your car up when you go through on the property. You
2 know, I've noticed, maybe about a month ago, someone
3 patched up one hole but bypassed the same -- the three
4 that was in front of it. And I didn't quite understand
5 that.

6 So we have an issue with a lot of potholes.
7 And I know for a fact, just -- if it's raining, it looks
8 level, but then you go through and, you know, you're stuck
9 in a pothole. Then you go in to get a wheel alignment,
10 you know, and that kind of stuff. So to me -- that's a
11 big issue to me, you know, when I, you know, just like to
12 drive on something, you know, like they do in Highland
13 Park.

14 Let me see. I -- we could use that -- some
15 speed bumps. We have, you know, the younger crew that
16 comes through there, you know, like a bat -- you know,
17 just driving pretty wild.

18 Curfew. We have a curfew in our apartments,
19 but that is not being -- I think that's a parental thing.

20 You know, we just can't make everyone's kids go inside,
21 you know, after the curfew. But that is a big problem.
22 And with school being out, it's really getting out of --
23 it's beginning to get out of hand as far as the curfew.

24 So I don't know if I'm piggy-backing on Chuck
25 as far as security; you know, be it via a vehicle or be it

1 afoot, you know, it doesn't matter to me. But, you know,
2 I think that needs to be strictly enforced -- reenforced.

3 Other than that, we're fine. Anything else I
4 have to, you know, discuss is -- you know, I can discuss
5 that with my -- you know, management. They're pretty good
6 as far as taking care of those things. But if we're
7 talking about property exterior, those are some of my
8 concerns.

9 MR. HARLESS: Okay. Thank you.

10 (Applause.)

11 MR. HARLESS: Anybody else?

12 MS. FRANKLIN: Hi. I'm Margaret Franklin; I'm
13 at Arbor East Apartments. And I -- my main concern is the
14 maintenance there and the management of the apartments.

15 We -- I've been through quite a few -- I've
16 been there close to going on six years. And I've been
17 through a lot of managers and maintenance where they don't
18 do anything there.

19 And the new manager -- I told him about my
20 refrigerator leaking and something about the molding in
21 the bathroom, or whatever that -- asbestos. No one has
22 come to see about that, and that's why I signed my lease
23 over the other month. No one has come to check on that.

24 And I had a leak in my living room, where -- I
25 have nice stuff in my living room. And that happens every

1 time it rains. I'm on the bottom floor. And they could
2 never fix it until I demanded the name of the owner. And
3 I told them if they didn't fix it then, I was going to get
4 the owner and they were going to handle it some kind of
5 way. And it was fixed. I made sure. I sat there when it
6 rained the next time to make sure it wasn't a leak.

7 But I hope they have a better plan happening
8 now or else I'll be gone. I'm not going to stay there
9 another year if this doesn't change. Thank you.

10 (Applause.)

11 MR. HARLESS: Anybody else?

12 MS. CALHOUN: Good evening. My name is Bobbie
13 Calhoun, and I'm from Arbor East, Apartment 1417. And I
14 have a problem with the security.

15 The -- like the young lady was saying about the
16 garbage, we need bigger dumpsters because, on the
17 weekends, if you're not the first one there, then you
18 can't put your garbage in due to -- they're going to --
19 the managers has told the maintenance to get the envelopes
20 with your name and stuff on it, and you'll have to pay a
21 fine.

22 And I think that's unfair to us. If the place
23 is not big enough to put your garbage, then what do they
24 want you to do with it, let it sit up in your house?

25 Also, with the drugs -- we was talking about

1 the drug problem earlier. The loud music we're having in
2 that Building 14 -- sometimes you can't even sleep at
3 night because the music is so loud.

4 They're out there drinking their beer, and
5 they're on the outside. And I figured if you're going to
6 do it, I don't have -- I can't stop anybody from doing
7 anything, but if I'm going to pay my rent, I want to be --
8 like the young lady said, I want to do it in safety.

9 I don't want to have to worry about who's
10 standing on the outside of my door when I walk out. Are
11 you going to hit me on my head? Are you going to snatch
12 my purse? Are you going to snatch my little child, or
13 whatever? We need security that walks the grounds or
14 patrols the grounds in a car, how ever; it doesn't matter
15 as long as we get it.

16 And with the maintenance upkeep, we have a very
17 poor system there because, like I said, I have had floods
18 in my apartment three times. And I can't get any results.

19 I have a bad allergy. I have a niece that stays there
20 that has a real bad allergy. And the smell is horrible
21 sometimes when it gets real hot; it is very hard for us to
22 breath because we are allergic to mold and other little
23 things that go on there.

24 And I've asked them to change my carpet. They
25 won't even do it. All they'll do is send someone in to

1 shampoo the carpet, raise the carpet up and put the
2 padding back. That's not a good -- health hazard to me.

3 It's really -- it's ridiculous in Arbor East,
4 but I like the area. I liked it when I first moved there,
5 but I would have -- if I could get a better deal like the
6 situation of more progress from the office, it would
7 really help a lot.

8 MR. HARLESS: Thank you.

9 (Applause.)

10 MR. HARLESS: Anyone else?

11 (No response.)

12 MR. HARLESS: Last chance. Last call.

13 (Pause.)

14 MR. HARLESS: Oh. We've got a taker.

15 MS. HAROLD: I'm Marilyn Harold from Arbor
16 East, 1615 John West.

17 And I'd like to say to the young lady here that
18 I can understand about the floods, but, baby, I've got you
19 beat. I've been there -- I'm going to be there until
20 January 30. I've had about nine of them in the same spot,
21 messed up my furniture. People say, Well, why don't you
22 go into the court and sue them? I say, I don't want to do
23 that; That's okay. That's okay. They need to fix what
24 needs fixing.

25 And I really did -- at one point, I got really

1 upset because, when I moved, I had a brand-new bookcase
2 that got just torn up from the water. Torn up from the
3 water -- my dresser and all that got torn up from the
4 water. But it's bigger issues than that. Like Carolyn
5 said, it's bigger issues than that.

6 That may be my issue because that may be what's
7 happening to me in my apartment: People blocking my car
8 and stuff like that. Security? We need security because
9 it does not make sense when you're trying to get in your
10 car -- they see you trying to get in your car, and they'll
11 still block your car as if to say, We don't give a so-and-
12 so about you, you know; We're doing what we're doing, and
13 that's what we're going to do, you know.

14 That does not make any sense to me. So we
15 really need security.

16 We need maintenance to come out when we have a
17 flood. I remember once, when I had a flood, I had to keep
18 moving all of my furniture around. And I was just getting
19 in the apartment. And it just had me physically drained
20 and mentally strained, and I just wanted to take all my
21 stuff and just move. But I said, No. I said, I'm going
22 to give the apartment a chance because I like where I'm
23 staying.

24 I like the area that I'm in. I like the
25 apartment that I'm in. And in the end, the manager that

1 was there -- she said, Well, what we'll do -- we'll just
2 take -- if you want, we'll take you and move you into
3 another apartment. No. I don't want to move into another
4 apartment, because it costs me to move. You're not going
5 to pay for my reconnection of everything that I have.

6 So what we're going to do is we're going to fix
7 this problem because you've already damaged my furniture,
8 you know, from taking your time to call somebody. Say
9 they call somebody on the weekend. I've got to wait from
10 Friday evening to Monday to get something done. And then,
11 when it gets done, it may stay done a week or two and the
12 whole thing breaks down again. And I've got another
13 flood, a flood after flood after flood after flood.

14 So I think they're trying to get it -- it's
15 about done now, I do believe. After about nine times, it
16 should be done. But I take everything with a grain of
17 salt, with a sense of humor, because, as my mother used to
18 tell me, when the milk is spilled, baby, just get it up
19 because there ain't no use in crying over it, you know.

20 But we do -- we need -- we do -- we need
21 security. We need security, and then we need to send
22 something out to teach these people that you don't do the
23 property like this, you don't be nasty -- you know, you
24 just don't be nasty. Now, that is one of my issues.
25 Security is also one of mine, too, but being nasty is

1 another; I shouldn't have to inhale your filth.

2 So that's all I have to say. And I'll turn it
3 back over.

4 (Applause.)

5 MR. HARLESS: Thank you.

6 Anybody else?

7 MR. HAROLD: I would.

8 MR. HARLESS: Okay.

9 MR. HAROLD: I would like to make a point of --

10 MR. HARLESS: Please state your name for the
11 record.

12 MR. HAROLD: Okay. My name is Kenneth Harold,
13 and I'm -- I live at 1615 John West.

14 And my most important issue because -- it seems
15 like everybody covered most every -- all of the
16 territories concerning our apartment. And my most concern
17 is the security issues. It's -- this is something that
18 seems to be dragging getting -- going a little bit too far
19 and out of hand. And the summer time is coming, and it's
20 getting hot. And, you know, people are more out on the
21 weekends.

22 And it seems it will be -- it's getting to be
23 more of a problem because -- I've been noticing it on the
24 weekends. And I noticed a strange crowd of people that I
25 hadn't been seeing as I'd go back and forth to work

1 because -- I've worked at a church for 28 years and am on
2 my 29th year at Central Christian Church on the west side
3 between Highland Park and north Dallas.

4 And this is something that we believe in: The
5 premises and cleaning and security. And I'm part of the
6 security of the church. And the well-being of all the
7 members and the property and everything else goes with
8 that, too.

9 So I see these things in the way my job line
10 is, too. And I try to look at it in a security way and a
11 way to not get involved with situations to render any
12 problems, but I'd like to see something done about it.

13 And so we're having a problem like with
14 driving. When you drive up, you know, you just -- people
15 just got their car parked in your driveway where you --
16 your entrance -- main entrance of other apartments. The
17 main entrance. They're out conversing, socializing. And
18 you never know what they're doing, but you can assume, you
19 know. You can assume something's not right.

20 And it's more on the weekend. And it's more on
21 the -- because I'm off on Saturdays. And it's more on the
22 weekends. And some Sundays even in the day-light time,
23 taking the trash to the trash containers, you can -- and
24 going to the store -- sometimes I take my bag and put it
25 in the trunk of the car and drive around to the trash

1 container, and then I got to the store.

2 And you've still got that -- you've got that
3 problem that's getting worse and worse. And it's getting
4 to a point where -- on the weekends now where you wonder
5 and say, What is going on here; What is going on; This is
6 a new face, and this is getting more crowded and more
7 problems.

8 And I think we do need some security
9 problems -- we need some security, somebody to work on
10 that problem, because I think it's just getting worse and
11 worse and getting out of hand. And, you know, I don't
12 want our apartments on the news, you know. You know,
13 people -- I'm in a public place all the time. People know
14 me, you know -- and even Abby Holiday [phonetic]. She's a
15 member of the church that I work for, you know.

16 And, you know, you just want to try to keep a
17 good impression on where ever you are. And you want --
18 where you live, you want it to be a nice environment. And
19 you want to be respectable or be in a respectable manner,
20 too, you know.

21 And we -- my wife -- she's in the church, too.

22 And we live a very high standard lifestyle, you know, the
23 way we conduct ourselves to other people, you know. We
24 believe in peace in the valley and love for mankind, and
25 we don't bother anybody; we're just back and forth to work

1 and just quiet neighbors and just speaking kind of
2 neighbors. And we've always got something kind or briefly
3 to say, and something -- we're on our way, you know.

4 And so, you know, we'd like to see more
5 security where we live, at the Arbor East Apartments. And
6 we would like, you know, to see more of that than
7 anything.

8 And I'm concerned about her because when she
9 calls me and she says, "I'm on my way home from church,"
10 when I got out to the -- it's a little breezeway not --
11 it's not much room but for about two people to walk
12 through there. At night around about nine o'clock,
13 there's two people, males, already out there. And if she
14 hasn't called me and told me she's on her way she's coming
15 through that entrance by herself from church.

16 Now, this has been going on a lot. The other
17 day, I just said, Hey, you know -- I sat on the benches of
18 the office. I live right by the office like about -- we
19 live about 30 yards from the main office, the rent office.

20 It's just like talk to the guys over the fence at the
21 pool -- we're just from here to there, you know.

22 And the breezeway is going straight out in our
23 part -- we usually park at the first entrance because --
24 we're at 111. So we're at the first entrance where you go
25 in, and our apartment is kind of like the first apartment

1 as you go through that entrance. And so I have to go out
2 through there to meet my wife at night. And it's not a
3 pretty picture as far as the environment, you know.

4 It's the people -- you can kind of look, and
5 you can feel that this -- you can tell when a person is on
6 his way back and forth to where he's going, his
7 destination. And you see them wandering around, and you
8 see a crowd, and you see a car stall and this and that.
9 And, you know, you don't feel comfortable, you know.

10 So -- but, anyway, that's -- my issue is the
11 security issue. And I would like to get more and better
12 security at the Arbor East Apartments. If we could do
13 that, I would appreciate it.

14 (Applause.)

15 MR. HARLESS: Thank you.

16 Anybody else?

17 (No response.)

18 MR. HARLESS: Anybody else?

19 (No response.)

20 MR. HARLESS: If not, I would like to thank
21 everybody for attending the hearing this evening. Your
22 comments have been duly recorded. It is now 8:06 p.m.,
23 and the meeting is adjourned. Thank you.

24 (Whereupon, at 8:06 p.m., this public hearing
25 was concluded.)

C E R T I F I C A T E

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MEETING OF: Texas Department of Housing and Community
Affairs Public Hearing
NHP Foundation ASMARA Project Series 2002
LOCATION: Bayles Elementary School Auditorium
Dallas, Texas
DATE: June 4, 2002

I do hereby certify that the foregoing pages,
numbers 1 through 22, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Joe Gillis before the
Texas Department of Housing and Community Affairs.

(Transcriber) 06/17/2002
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

NHP FOUNDATION - ASMARA PROJECT
SERIES 2002

PUBLIC HEARING

Meeting Room 3
Duncanville Public Library
James Collins Street
Duncanville, Texas

Wednesday, June 5, 2002
7:00 p.m.

BEFORE :

STEPHEN APPLE, Multifamily Loan Officer and
Preservation Coordinator

P R O C E E D I N G S

(7:27 p.m.)

1
2
3 MR. APPLE: Good evening. My name is Stephen
4 Apple. I would like to proceed with the public hearing.

5 Let the record show that it is approximately
6 7:27 p.m. Wednesday, June 5, 2002, and we are at the
7 Duncanville Library, located at 2001 -- I think it is
8 James Collins Road in Dallas or -- Duncanville, Texas.

9 I'm here to conduct a public hearing on behalf
10 of the Texas Department of Housing and Community Affairs
11 with respect to an issue of multifamily rental housing
12 mortgage revenue bonds, the Series 2002 bonds, for nine
13 residential rental communities. This hearing is required
14 by the Internal Revenue Code.

15 The sole purpose of this hearing is to collect
16 comments that will be provided to the highest elected
17 official with jurisdiction over the issue, which for this
18 issue is the Attorney General of the State of Texas. No
19 decisions regarding the project will be made at this
20 hearing. There are no Department board members present.

21 It is expected that the Department's board will
22 meet to consider the transaction on July 11, 2002 upon
23 recommendation by the finance committee. In addition to
24 providing your comments at this hearing, the public is
25 also invited to provide comment directly to the finance

1 committee or the board at any of their meetings.

2 The Department staff will also accept written
3 comments from the public until 5:00 p.m. on July 1, 2002.

4 And those comments may be mailed or faxed in to us at
5 Area Code 512-475-3362.

6 The bonds will be issued as tax-exempt
7 multifamily mortgage revenue bonds in the aggregate
8 principal amount not to exceed 31,500,000 and taxable
9 bonds if necessary in an amount to be determined. The
10 bonds will be issued in one or more series by the Texas
11 Department of Housing and Community Affairs, the issuer.

12 The proceeds of the bonds will be loaned to
13 ASMARA Affordable Housing, Inc. or a related person or
14 affiliated entity thereof for the following purposes:
15 One, paying a portion of the cost of issuing the Series
16 2002 bonds; two, refunding the issuer's multifamily
17 mortgage revenue bonds, the NHP Foundation-ASMARA Project
18 Series 1996, hereafter referred to as the Series 1996
19 Bonds, and; three, financing the costs of rehabilitation
20 of a portion of the project.

21 The proceeds of the original Series 1996 bonds
22 were loaned to the corporation to finance the acquisition
23 and rehabilitation of nine multifamily housing residential
24 rental projects, collectively the project, described as
25 follows: The Arbor East Apartments, a 300-unit complex at

1 1615 John West Road, Dallas, Texas, zip code 75228; the
2 Azalea Courts Apartments, a 57-unit complex at 1721 John
3 West Road, Dallas, Texas, zip code 75228; the Players Club
4 Apartments, a 320-unit complex located at 2525 Players
5 Court, Dallas, Texas, zip code 75287; the Wellington Place
6 Apartments, a 164-unit complex located at 9940 Forest
7 Lane, Dallas, Texas 75243; the Heritage Square Apartments,
8 a 112-unit complex located at 4753 Duncanville Road,
9 Dallas, Texas 75236; the Highlands Apartments, a 136-unit
10 complex located at 2359 Highland Road, Dallas, Texas
11 75228; the Creek Hollow Apartments, a 120-unit complex
12 located at 6218 Finbro Drive, Fort Worth, Texas 76133; the
13 Stone Ridge Apartments, a 204-unit complex located at 600
14 East Arkansas Lane, Arlington, Texas 76014; and the Oak
15 Brook Apartments, a 222-unit complex located at 5353 De
16 Soto Avenue, Houston, Texas, zip code 77091.

17 The original Series 1996 bonds were also issued
18 to pay certain costs of issuing the Series 1996 bonds.
19 The proposed multifamily rental housing community will
20 initially be owned and operated by ASMARA Affordable
21 Housing, Inc. or a related person or affiliated entity
22 thereof.

23 I would now like to open the floor for public
24 comment. And I will just read down the list of attendants
25 at the hearing and ask each of you individually if you

1 would like to have any comments you would like to make for
2 the record.

3 Anthony Snell, would you like to make any
4 comments?

5 MR. SNELL: No.

6 MR. APPLE: Okay.

7 Sabrin Basile?

8 MS. BASILE: Basile.

9 MR. APPLE: Basile?

10 MS. BASILE: No comments.

11 MR. APPLE: No comments.

12 Joe Kinsella, do you have any comments you'd
13 like to make?

14 MR. KINSELLA: No, sir.

15 MR. APPLE: Let's see. (Perusing document.)

16 Dolores Swaney?

17 MS. SWANSEY: Swansey.

18 MR. APPLE: Swansey. Do you have any comments
19 you'd like to make?

20 MS. SWANSEY: No.

21 MR. APPLE: Okay.

22 And Jennifer Wickman, would you like to make
23 any comments for the record?

24 MS. WICKMAN: No.

25 MR. APPLE: None at all? Are you sure?

1 MS. WICKMAN: I'm fine.

2 MR. APPLE: Okay.

3 And Karen Schaffer, do you have any comments
4 you would like to make?

5 MS. SCHAFFER: No.

6 MR. APPLE: Okay.

7 Seeing as how no one has any comments, I will
8 go ahead and close the hearing. And let the record show
9 that it is now 7:33, and the hearing is now adjourned. I
10 would like to thank everyone for coming and being in
11 attendance.

12 (Whereupon, at 7:33 p.m., this public hearing
13 was concluded.)

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MEETING OF: Texas Department of Housing and Community
Affairs Public Hearing
NHP Foundation ASMARA Project Series 2002

LOCATION: Duncanville, Texas

DATE: June 5, 2002

I do hereby certify that the foregoing pages,
numbers 1 through 7, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Joe Gillis before the
Texas Department of Housing and Community Affairs.

(Transcriber) 06/17/2002
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MULTIFAMILY HOUSING REVENUE REFUNDING BONDS
(NHP FOUNDATION - ASMARA PROJECT) SERIES 2002

PUBLIC HEARING

Auditorium
Southwest Regional Library
4001 Library Lane
Fort Worth, Texas

Wednesday,
June 5, 2002
7:33 p.m.

BEFORE :

MARLIN WAYNE HARLESS, Multifamily Loan Officer

I N D E X

<u>SPEAKER</u>	<u>PAGE</u>
George Sirgo	6

P R O C E E D I N G S

1
2 MR. HARLESS: Good evening. My name is Wayne
3 Harless. I would like to proceed with the public hearing.

4 Let the record show that it is 7:33 p.m.,
5 Wednesday, June 15, 2002 -- excuse me, June 5, 2002, and
6 we're at the Southwest Regional Library located at 4001
7 Library Lane, Fort Worth, Texas.

8 I am here to conduct a public hearing on behalf
9 of the Texas Department of Housing and Community Affairs
10 with respect to an issue of multifamily rental housing
11 mortgage revenue bonds, Series 2002 bonds, for nine
12 residential rental communities.

13 This hearing is required by the Internal
14 Revenue Code. The sole purpose of this hearing is to
15 collect comments that will be provided to the highest
16 elected official with jurisdiction over this issue, which
17 for this issue is the Attorney General.

18 No decisions regarding the project will be made
19 at this hearing. There are no board members present.

20 It is expected that the Department's board will
21 meet to consider the transaction on July 11, 2002, upon
22 recommendation by the Finance Committee.

23 In addition to providing your comments at this
24 hearing, the public is also invited to provide comments
25 directly to the finance committee or the board at any of

1 their meetings.

2 Department staff will also accept written
3 comments from the public via facsimile at 512-475-3362 up
4 to 5:00 p.m. on July 1, 2002.

5 The bonds will be issued as tax-exempt
6 multifamily mortgage revenue bonds in the aggregate
7 principal amount not to exceed \$31,500,000 and taxable
8 bonds, if necessary, in an amount to be determined.

9 The bonds will be issued in one or more series
10 by the Texas Department of Housing and Community Affairs,
11 the "Issuer."

12 The proceeds of the bonds will be loaned to
13 Asmara Affordable Housing, Inc., or a related person or
14 affiliated entity thereof, for the following purposes:

15 One, paying a portion of the costs of issuing
16 the Series 2002 bonds.

17 Two, refunding the Issuer's multifamily
18 mortgage revenue bonds, the NHP Foundation/Asmara Project,
19 Series 1996, the "Series 1996 Bonds," the proceeds of
20 which were loaned to the corporation to finance the
21 acquisition and rehabilitation of nine multifamily housing
22 residential projects, collectively, the "Project,"
23 described as follows:

24 There are nine communities here and I'll read
25 them all.

1 Arbor East Apartments at 1615 John West Road,
2 Dallas, Texas, 75228, 300 units.

3 Azalea Courts, 1721 John West Road, Dallas,
4 Texas, 75228, 57 units.

5 Players Club Apartments at 2525 Players Court,
6 Dallas, Texas, 75287, 320 units.

7 Wellington Place at 9940 Forest Lane, Dallas,
8 Texas, 75243, 164 units.

9 Heritage Square Apartments at 4753 Duncanville
10 Road, Dallas, Texas, 75236, 112 units.

11 Highlands Apartments, 2359 Highlands Road,
12 Dallas, Texas, 75228, 136 units.

13 Creek Hollow Apartments, 6218 Finbro Drive,
14 Fort Worth, Texas, 76133, 120 units.

15 Stone Ridge Apartments at 600 East Arkansas
16 Lane, Arlington, Texas, 76014, 204 units.

17 And last, Oak Brook Apartments at 5353 DeSoto
18 Avenue, Houston, Texas, 77091, consisting of 222 units.

19 Besides financing the acquisition and
20 rehabilitation of these properties, a portion of the bonds
21 will go to pay certain costs of issuance for the Series
22 1996 bonds, and the financing of costs of rehabilitation
23 of a portion of the project.

24 The proposed multifamily rental housing
25 community will be initially owned and operated by Asmara

1 Affordable Housing, Inc., or a related person or affiliate
2 thereof.

3 At this time I would like to open the floor for
4 public comment. I have one gentleman who has signed up to
5 speak. At this time you may speak. Please state your
6 name for the record.

7 MR. SIRGO: My name is George Sirgo, S-i-r-g-o,
8 Jr., 4309 Cartagena, C-a-r-t-a-g-e-n-a, Drive, Fort Worth,
9 76133. I'm a member of the Allied Communities of Tarrant
10 and also a member of the Wedgewood South Neighborhood
11 Association.

12 Questions that I have concerning this are as
13 follows: Are the accessibility of transportation for the
14 inhabitants of the units; the accessibility of normal life
15 support, drug stores, grocery stores, et cetera, for the
16 residents, recognizing that not all residents have the
17 ability to get to and from the store by means other than
18 foot or depending upon public transportation.

19 I also would be interested in knowing exactly
20 how much will be -- is estimated to be spent for the
21 rehabilitation of Creek Hollow, what its current physical
22 condition is, what its current occupancy rate is and the
23 age of the facility.

24 I would also be interested in knowing exactly
25 where 6218 Finbro Drive, even though it is in the Zip Code

1 in this area, is. At the moment I cannot place it.

2 And I would also be interested in knowing what
3 other unit -- housing complex, I should say, or apartment
4 complex is currently under the direction of the
5 association seeking this bond, and ultimately what risk
6 does this pose for the taxpayers of Texas.

7 Thank you very much.

8 MR. HARLESS: Thank you. Is there anyone else
9 that would like to speak?

10 (No response.)

11 MR. HARLESS: If not, I would like to thank
12 everybody for attending this hearing. Your comments have
13 been recorded.

14 The time now is 7:40. The meeting is
15 adjourned.

16 (Whereupon, at 7:40 p.m., the hearing was
17 concluded.)

C E R T I F I C A T E

1
2
3 IN RE: MULTIFAMILY HOUSING REVENUE REFUNDING
4 BONDS (NHP FOUNDATION - ASMARA PROJECT)
5 SERIES 2002

6 LOCATION: Fort Worth, Texas

7 DATE: June 5, 2002

8 I do hereby certify that the foregoing pages,
9 numbers 1 through 8, inclusive, are the true, accurate,
10 and complete transcript prepared from the verbal recording
11 made by electronic recording by Gay Denton before the
12 Texas Department of Housing and Community Affairs.

(Transcriber) 6/7/2002
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

NHP FOUNDATION - ASMARA PROJECT
SERIES 2002

PUBLIC HEARING

Eisenhower High School Cafeteria
7922 Antoine
Houston, Texas

Wednesday, June 5, 2002
7:00 p.m.

BEFORE :

ROBBYE MEYER, TDHCA

P R O C E E D I N G S

(7:16 p.m.)

1
2
3 MS. MEYER: Good evening. My name is Robbye
4 Meyer. I would like to proceed with the public hearing.

5 Let the record show that it is 7:16 Wednesday,
6 June 5, 2002. And we are at the Eisenhower High School
7 Cafeteria, located at 7922 Antoine, Houston, Texas.

8 I am here to conduct a public hearing on the
9 behalf of the Texas Department of Housing and Community
10 Affairs with respect to an issue of multifamily rental
11 housing mortgage revenue bonds, the Series 2002 bonds, for
12 nine residential rental communities. This hearing is
13 required by required by the Internal Revenue Code.

14 The sole purpose of this hearing is to collect
15 comments that will be provided to the highest elected
16 official with jurisdiction over the issue, which for this
17 issue is the Attorney General. No decisions regarding the
18 project will be made at this hearing.

19 There are no Department board members present.

20 It is expected that the Department's board will meet to
21 consider this transaction on July 11, 2002 upon
22 recommendation by the finance committee.

23 In addition to providing your comments at this
24 hearing, the public is also invited to provide comment
25 directly to the finance committee or the board at any of

1 their hearings. The Department staff will also accept
2 written comments from the public via facsimile at (512)
3 475-3362 up to five o'clock p.m. on July 1, 2002.

4 The bonds will be issued as tax-exempt
5 multifamily mortgage revenue bonds in the aggregate
6 principal amount not to exceed 31,500,000 and taxable
7 bonds if necessary in an amount to be determined. The
8 bonds will be issued in one or more series by the Texas
9 Department of Housing and Community Affairs, the issuer.

10 The proceeds of the bonds will be loaned to
11 ASMARA Affordable Housing, Inc. or related person or
12 affiliated entity thereof for the following purposes:
13 One, paying a portion of the cost of issuing the 2002
14 Series bonds; two, refunding the issuer's multifamily
15 mortgage revenue bonds, NHP Foundation-ASMARA Project
16 Series 1996, the Series 1996 bonds, the proceeds of which
17 were loaned to the corporation to finance the acquisition
18 and rehabilitation of nine multifamily residential rental
19 projects, collectively the project, described as follows:

20 Arbor East Apartments at 1615 John West Road, Dallas,
21 Texas 75228, 300 units; Azalea Courts at 1721 John West
22 Road, Dallas, Texas 75228, 57 units; Players Club
23 Apartments at 2525 Players Court, Dallas, Texas 75287, 320
24 units; Wellington Place at 9940 Forest Lane, Dallas, Texas
25 75243, 164 units; Heritage Square Apartments, at 4753

1 Duncanville Road, Dallas, Texas, Zip 75236, 112 units;
2 Highlands Apartments, 2359 Highland Road, Dallas, Texas
3 75228, 136 units; Creek Hollow Apartments at 6218 Finbro
4 Drive, Fort Worth, Texas 76133, 120 units; Stone Ridge
5 Apartments at 600 East Arkansas Lane, Arlington, Texas
6 76014, 204 units, and Oak Brook Apartments at 5353 De Soto
7 Avenue, Houston, Texas 77091, 222 units, and, B, to pay
8 certain costs of issuing the Series 1996 bonds and, Three,
9 financing the cost of rehabilitation of a portion of the
10 project.

11 The proposed multifamily rental housing
12 community will be initially owned and operated by ASMARA
13 Affordable Housing, Incorporated or related person or
14 affiliate thereof.

15 I would now like to open the floor for public
16 comment.

17 Do you want to make any comments at all?

18 VOICE: Should I make any comment?

19 MS. MEYER: It's up to you. There's not an
20 opposition, so it's not a major deal.

21 VOICE: And I made comments the other night.

22 MS. MEYER: Okay.

23 VOICE: And it was the same issue, the same
24 bond issue.

25 MS. MEYER: Okay.

1 VOICE: So --

2 MS. MEYER: Which hearing were you at?

3 VOICE: I was at the one in north Dallas.

4 MS. MEYER: Was that with Stephen --

5 VOICE: Yes.

6 MS. MEYER: -- or Wayne? Okay. Where Players

7 Club is?

8 VOICE: Right.

9 MS. MEYER: Okay. I know which one you were
10 at.

11 Okay. Let the record show that there are no
12 other attendees. Therefore the meeting is now adjourned,
13 and the time is 7:21.

14 (Whereupon, at 7:21 p.m., this public hearing
15 was concluded.)

C E R T I F I C A T E

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MEETING OF: Texas Department of Housing and Community
Affairs Public Hearing
NHP Foundation ASMARA Project Series 2002
LOCATION: Houston, Texas
DATE: June 5, 2002

I do hereby certify that the foregoing pages,
numbers 1 through 6, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Sue Brindley before the
Texas Department of Housing and Community Affairs.

(Transcriber) 06/17/2002
(Date)

On the Record Reporting, Inc.
3307 Northland, Suite 315
Austin, Texas 78731

From: worana wodebo [worana2000@yahoo.com]
Sent: Monday, June 03, 2002 8:36 PM
To: Klathrop@nhpfoundation.org
Cc: Sapple@tdhca.state.tx.us
Subject: TEFRA Public hearing, Arbour East Apts., Dallas

Recently you will be conducting a hearing in the Dallas area. As a condition for re-financing the above property, please take the safety and security of the tenants under serious consideration.

The above property, left un attended during the night, is subject to various crime activities such as theft, prostitution, drug dealing and noise. The gates are left open 24 hours a day and the parking lots are crowded with people all night.

There must be a serious security measure at place before any renewal takes place for this property. The current system is not working. Thanks --- see you at the meeting.

Do You Yahoo!?

Yahoo! - Official partner of 2002 FIFA World Cup <http://fifaworldcup.yahoo.com>



CITY OF DALLAS

RECEIVED
JUN 10 2002
EXECUTIVE

June 5, 2002

Edwina P. Carrington
Executive Director, TDHCA
507 Sabine, Suite 400
Austin, Texas 78711-3941

Re: Hearing on the NHP Foundation-Asmara Project
Held on June 4, 2002 at 7:00 P.M. at Forest-Green Library
Auditorium -Wellington Place Apartments

One of our staff members attended the hearing regarding the refunding of the tax-exempt bonds originally issued in 1996 which provides financing for the acquisition portion and the proposed \$3,000,000 (approximately \$1,800 per unit) for the rehabilitation of the nine projects, six of which are located in the city of Dallas.

The subject of this hearing was the Wellington Place Apartments located at 9940 Forest Lane, Dallas, Texas in Councilmember Alan Walne's District #10. There were three main issues raised by Walne:

Criminal activities in the neighborhood has escalated in recent months. Over 200 calls for service and 78 offenses occurred at the Wellington Place Apartments over the last 17 months. Councilmember Walne is aware that the property management company does not attend any crime watch meetings and there is no perimeter security fence surrounding the property.

The representatives from TDHCA stated that they require social services to be provided on the property as a condition of financing. Even though several of the property managers presented information on their respective properties, none of the managers described what type of social services were being provided, just that they had computers available, which left you with the impression that the existence of social services (after school programs for kids which includes help with their homework and/or job skills training for adults) was questionable. Councilmember Walne was informed by the School Board that there are 51 children residing at the Wellington Apartments. This is more than a sufficient number of children to warrant a full social service plan geared toward after-school programs for children which includes assistance with their homework.

The ad valorem tax-exemption issue was not raised until the meeting when the Owner, Asmara Affordable Housing, Inc., stated that they were a state CHDO. Prior to the hearing, via conference call, Robert Onion, TDHCA staff member, stated to Councilmember Walne that the borrower was not a CHDO. Mr. Walne told the School Board representatives that they did not need to attend the hearing because the proposed borrower was not a CHDO and there was no risk of the owner getting the ad valorem tax exemption. When he learned that this

Page 2

Letter to Edwina P. Carrington, Executive Director TDHCA
June 5, 2002

was not true and that the School Board missed the opportunity to represent their interests, he was not pleased to say the least.

Robert Onion called before the meeting and informed our staff member that the property management company was Lane Company, a local management company. When we arrived at the hearing, we learned that Lane Company had been terminated as of June 1, 2002 and that the new property management company was Cocoran & Jennison, a company based in Boston, MA.

The owner's representative did not offer much information regarding the existing nor the proposed social services, nor did he appear to be concerned nor willing to take any action regarding the criminal activity at the Wellington.

Councilmember Walne did enter into the hearing minutes that he did not support the project and included his concerns regarding the above issues and that he intended to contact State representatives regarding these concerns.

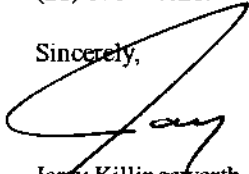
One tenant did enter into the minutes numerous complaints about the property including landscaping, inexperienced maintenance personnel and the chronic problems associated with that, inappropriate treatment of disabled tenants by the management company and the fact that the several children that reside at the complex are always running around unsupervised.

Based on my comments with Mr. Walne, the owners would have to agree to do the following in order to obtain the City's support.

- Erect perimeter fencing with restricted access in order to reduce the amount of heavy in and out traffic of non-residents that is contributing to the crime rate at the Apartments being what it is.
- Initiate an after school tutoring program
- Hire a Director to manage the tutoring program and to coordinate with the schools attended by the resident children to address their individual needs.

We are available to discuss the concerns expressed in this letter. My number is (21) 670 - 4028.

Sincerely,



Jerry Killingsworth, Director
Housing Department

c: Councilmember Alan Walne

MEMORANDUM

TO: TDHCA Board Members
CC: Ruth Cedillo, Deputy Executive Director
FROM: Tom Gouris, Director of Credit Underwriting
THROUGH: Edwina Carrington, Executive Director
SUBJECT: Public Comment on the 2003 Draft Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines and Department Response
DATE: November 7, 2002

Attached you will find the Draft 2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines with staff's suggestion for changes in response to public comment. On September 27, 2002, the Draft Rules and Guidelines were published in the *Texas Register*. A public comment period commenced on September 27, 2002, and ended on October 25, 2002. In addition to publishing the document in the *Texas Register*, a copy was published on the Department's web site and made available to the public upon request. The Department held public hearings in Clint, New Braunfels, Weslaco, Austin, Fort Worth, Wichita Falls, Pampa, Mount Pleasant, San Angelo, and Liberty. A hearing scheduled for Galveston was cancelled due to inclement weather. In addition to comments received at the public hearings, the Department received written comments.

This memo divides the public comment received into three types: Items that Relate Directly to the Draft Rules and Guidelines, Requests for Clarification, and Minor Technical Changes for Consistency. Within the three parts, the comments are identified by the section in question followed by the specific comment and staff's response. The scope of public comment concerning the Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines pertains to the following sections:

SUMMARY OF COMMENTS RECEIVED UPON PUBLICATION OF THE PROPOSED RULES IN THE *TEXAS REGISTER* AND COMMENTS PROVIDED AT PUBLIC HEARINGS HELD BY THE DEPARTMENT ON ITEMS THAT RELATE DIRECTLY TO THE UNDERWRITING, MARKET ANALYSIS, APPRAISAL, AND ENVIRONMENTAL SITE ASSESSMENT RULES AND GUIDELINES

§1.31 General Provisions.

Comment: The Department may want to clarify how and when the Guidelines can be changed and what public input process will be used prior to any changes.

Department Response: The public hearing process already prescribes how this administrative code is changed. Staff does not recommend a change.

§1.31(b)(6) Definition of Debt Coverage Ratio

Comment: Current language states, "A measure of the number of times loan principal and interest are covered by net after tax income." §1.32(d) refers to the Debt Coverage Ratio as being Net Operating Income divided by debt service. This is a more accurate definition of Debt Coverage Ratio and should be used in this §1.31(b)(6). The following language could be used:

"A measure of the number of times the required payments of loan principal and interest are covered by Net Operating Income."

Department Response: Staff agrees the change should be made to maintain consistency and the proposed language is recommended.

(6) DCR--Debt Coverage Ratio. Sometimes referred to as the "Debt Coverage" or "Debt Service Coverage." A measure of the number of times the required payments of loan principal and interest are covered by Net Operating Income.~~A measure of the number of times loan principal and interest are covered by net after tax income.~~

§1.31(b)(11) Definition of Local Amenities

Comment: Should the definition reference the location of the amenities with respect to the Development? In other words, should it say something like: "Amenities located near and available to the tenants of a proposed Development, including but not limited to police and fire protection, transportation, healthcare, retail, grocers, educational institutions, employment centers, parks, public libraries, and entertainment centers."

Department Response: Staff agrees the change should be made and the proposed language is recommended.

(11) Local Amenities-- Amenities located near and available to the tenants of a proposed Development, including but not limited to police and fire protection, transportation, healthcare, retail, grocers, educational institutions, employment centers, parks, public libraries, and entertainment centers.~~Include, but are not limited to police and fire protection, transportation, healthcare, retail, grocers, educational institutions, employment centers, parks, public libraries, entertainment centers, etc.~~

§1.31(b)(16) Definition of Net Operating Income.

Comment: The calculation of NOI for bond-financed Developments should be calculated using the same methodology as 9% LIHTC Developments. Applicants should be required to identify and support which fees are "below-the-line", fees not included by the principal lender or syndicator in their calculation of NOI, in order to exclude the fee from the NOI calculation.

Department Response: Staff agrees that the same methodology should be used in both bond-financed and 9% LIHTC developments. The discussion of operating expenses in §1.32(d)(5)(A-J) is the Department's attempt to standardize the assumptions regarding fees and expenses. No change is recommended.

§1.31(b)(23) Definition of Unstabilized Development

Comment: Current language states, "A Development that has not maintained a 90% occupancy level for at least 12 consecutive months." Instead of using a 90% standard, which may or may not indicate the actual financial stability of the Development, should a reference to the defined term "Sustaining Occupancy" be used? This definition could be revised to read: "A Development that has not maintained Sustaining Occupancy for at least 12 consecutive months."

Department Response: Staff believes the proposed revision is too subjective and the 90% standard for 12 months is a more objective way to measure stabilized occupancy for all developments. No change is recommended.

§1.31(b)(24) Definition of Utility Allowances.

Comment: The definition of utility costs needs to be as in prior years—using the PHA that most closely represents the utility provider's charges. Harris County is twice the City of Houston cost which most closely represent Reliant Energy's data. In order to compete with project funds to deep skew units, one could not develop in Harris County, outside Houston's city limits under the suggested language. Also, what happened to using utility provider data for operations—seems to be prohibited by QAP which may violate federal law. In the event of overlapping jurisdiction

between local housing authorities, the utility allowance for the building must be based on where the Development property is located according to the Development's legal description unless (i) (in the case of county properties) if the property is located within five miles of city limits, then the city allowances may be used or (ii) if the service provider has submitted data showing costs, then one must use the service provider's data. [There is a HUD requirement as to (ii).]

Department Response: While staff believes the draft definition is consistent with the comment provided and the comment provided is significantly addressing the QAP, the definition in this document should be consistent with that which is proposed in the QAP. Therefore, staff recommends the following change:

(24) Utility Allowance(s)—The estimate of tenant-paid utilities, based either on the most current HUD Form 52667, "Section 8, Existing Housing Allowance for Tenant-Furnished Utilities and Other Services", provided by the appropriate local Public Housing Authority ~~with most direct jurisdiction over the majority of the buildings existing consistent with the current QAP~~ or a documented estimate from the utility provider proposed in the Application. Documentation from the local utility provider to support an alternative calculation can be used to justify alternative Utility Allowance conclusions but must be specific to the subject Development and consistent with the building plans provided.

§1.32(a) General Provisions.

Comment: Current language states, "The Department, through the division responsible for underwriting, produces or causes to be produced a Credit Underwriting Analysis Report (the "Report") for every multifamily Development recommended for funding through the Department." First, remove the word "multifamily" because these Guidelines are supposed to apply to single family and multifamily projects. Second, does the underwriting division really produce a report for every Development recommended for funding? For instance, in the tax credit program, Developments are recommended to be underwritten but are not necessarily recommended to receive funding.

Department Response: Due to a staff error, the version of the 2003 Draft Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines included in the 9/12/2002 Board Book included the word "multifamily" in inappropriate places. The version of the 2003 Draft Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines published in the *Texas Register* and on the Department's website subsequent to the 9/12/2002 board meeting does not include the inappropriate uses of the word "multifamily."

§1.32(b)(1)(and others) Use of the word "Principal"

Comment: Current language states, "principals of the Applicant". The word "principals" is used from time to time throughout the Guidelines, but it is not defined. Given the complex organizational structure of many of the Applicants, the term "principal", without definition, could be interpreted in a variety of ways. The Department has an interest in knowing who is going to own and operate a Development. This includes not only the ownership entity itself but all other entities and individuals on the organizational chart that own or have the ability to control the ownership entity. If the Department is going to require, on its Uniform Application, that each Applicant submit an organizational chart for the ownership entity, then the "principals" might be defined as every entity or individual on the organizational chart who has the ability to control the Development owner, either directly or indirectly. This should exclude, however, intervening entities in multi-layer ownership structures. This gets the Department to its ultimate goal while reducing the paperwork burden for the Applicant. Please review the use of the word "principals" throughout the Guidelines, considering who the Department wants to identify, and create some sort of appropriate definition for this term so that we do not have to address interpretive issues of who is a "principal".

Department Response: Staff agrees that a definition of Principal would be a good idea. However, staff does not recommend adding a definition of the word “Principal” to this subchapter. As §1.32(b) states, “Many of the terms used in this subchapter are defined in 10TAC §§49 and 50 of this title (the Department’s Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules, known as the “QAP”).” Staff understands that the proposed 2003 QAP includes a definition of the word “Principal.” Therefore, the definition included in the QAP would apply to this subchapter.

§1.32(d)(1)(A) Market Rents.

Comment: Current language states, “. . . and determines if the adjustments and conclusions made are reasoned and well documented.” We believe this language should be removed, as it gives the Department too much discretion. The Department establishes a list of Market Analysts they deem to be qualified. The Department requires the submission of the Market Study, and the Applicant pays a significant fee to obtain it. The Department should rely on the Market Analyst's conclusions. If the Department has serious concerns about a Market Analyst's work, then it should remove the Market Analyst from its approved list. Otherwise, the Development Owner should be entitled to rely on the Market Study it pays for, and the Department should accept the Market Analyst's conclusions. This helps the Department to avoid criticism for exercising discretion and creates a more level playing field.

Department Response: Removal of the statement in question is not recommended. Although the Department maintains a list of Approved Market Analysts, §1.33(c)(2) clearly indicates that review of submitted market analyses is required in order to maintain the List of Approved Market Analysts. In addition, it is believed that even Approved Market Analysts are capable of making mistakes. The Department must have the ability to have discretion in this regard to avoid basing a funding recommendation on flawed analysis.

§1.32(d)(4) Effective Gross Income and (5) Expenses.

Comment: Current language states, “. . . the Underwriter will maintain and use its independent calculation . . . regardless of the characterization of the Applicant's figure.” If the Applicant's calculation is acceptable, then the Applicant's figure should be used in all circumstances.

Department Response: While the suggestion might on the surface make intuitive sense, following the suggestion will distort the Underwriter’s analysis and cause it to appear to be inconsistent when comparing similarly-sized transactions in the same general location in the same year. By maintaining the Underwriter’s independently derived figure for comparison, other competing transactions can more easily see that they have been treated in a consistent manner. Staff does not recommend a change.

§1.32(d)(5) Expenses.

Comment: In many instances, it is not appropriate to measure operating costs on a per square foot basis. Costs may be more dependent on the number of units than the number of square feet in those units.

Department Response: In many cases the opposite is also true; that is why both methods, as identified in the Rules and Guidelines, are used. Staff does not recommend a change.

§1.32(d)(5)(A)-(H) Operating Feasibility.

Comment: Because of the diversity in the kinds of Developments and the locations of Developments, we do not believe the Department should analyze operating expenses on a line item basis with a tolerance level for each. Rather, an aggregate expense figure should be used and analyzed for tolerance.

Department Response: Staff agrees that there is diversity in the kinds of Developments and the locations of Developments; that is why line by line adjustment is the only way to fairly evaluate

expenses. For example, the utility cost for a Development with a central boiler is very different from one without, yet if a Development with a central boiler is also tax-exempt, its operating expenses may be lower overall compared to a similar Development without a central boiler and no tax exemption. This difference could not be evaluated without taking into account the individual line item expenses. Staff does not recommend a change.

§1.32(d)(5)(E) Utilities Expense (Gas & Electric).

Comment: Third sentence apparently refers to common area expenses but is not specific.

Department Response: Staff agrees and, since no specific language was suggested by the public, staff recommends inserting the phrase "...for utility expenses attributable to common areas."

(E) Utilities Expense (Gas & Electric). Utilities Expense includes all gas and electric energy expenses paid by the owner. It includes any pass-through energy expense that is reflected in the unit rents. Historically, the lower of an estimate based on 25.5% of the PHA local Utility Allowance or the TDHCA Database or local IREM averages have been used as the most significant data point [for utility expenses attributable to common areas](#). The higher amount may be used, however, if the current typical higher efficiency standard utility equipment is not projected to be included in the Development upon completion or if the higher estimate is more consistent with the Applicant's projected estimate. Also a lower or higher percentage of the PHA allowance may be used, depending on the amount of common area, and adjustments will be made for utilities typically paid by tenants that in the subject are owner-paid as determined by the Underwriter. The underwriting tolerance level for this line item is 30%.

§1.32(d)(5)(G) Insurance Expense.

Comment: Insurance at \$0.16 seems too low.

Department Response: Staff agrees that \$0.16 is low in the current market for most Developments; however some Developers contrive to provide documentation of blanket coverage with rates at or below this level. This figure was chosen as a minimum level at which an Applicant's estimate may be considered reasonable without further documentation. Since no alternative recommendation was made, staff does not recommend a change.

§1.32(d)(5)(H) Property Tax.

Comment: Current language states, "For CHDO owned or controlled properties, this documentation includes, at a minimum, evidence of the CHDO designation from the State or local participating jurisdiction and a letter from the local taxing authority recognizing that the Applicant is or will be considered eligible for the property exemption." In the case of *American Agape Foundation, Inc. v. Travis Central Appraisal District*, the court said that an Applicant for an ad valorem tax exemption under the CHDO exemption is not required to show its certificate of CHDO designation to be eligible for the exemption. The statute (§11.182 of the Texas Tax Code) says that the organization owning the property and applying for the exemption must be organized as a CHDO; it does not say that the organization must be certified as a CHDO. Thus, where an Applicant for a tax exemption met all of the requirements to be a CHDO (including an affordable housing purpose, community representation on the board of directors, etc.) but did not have a CHDO certificate, the Applicant and its property were still eligible for the tax exemption because the Applicant was organized as a CHDO. Given this case law, the Department should change its documentation requirements with respect to the CHDO ad valorem tax exemption. §11.43 of the Texas Tax Code permits a CHDO that intends to acquire control of a property to request a pre-determination of its eligibility for the ad valorem tax exemption. This pre-determination letter from the appraisal district should be sufficient for the Department's underwriting purposes. The taxing authorities themselves do not make determinations as to exemptions; that function is within the realm of the appraisal district. Therefore, we recommend the language of §1.32(d)(5)(H) be revised to read: "For CHDO owned or controlled properties, this

documentation includes, at a minimum, a letter from the local appraisal district recognizing that the Applicant is or will be considered eligible for the ad valorem tax exemption."

Department Response: Staff agrees and recommends the suggested language.

(H) Property Tax. Property Tax includes all real and personal property taxes but not payroll taxes. The TDHCA Database is used to interpret a per unit assessed value average for similar properties which is applied to the actual current tax rate. The per unit assessed value is most often contained within a range of \$15,000 to \$35,000 but may be higher or lower based upon documentation from the local tax assessor. Location, size of the units, and comparable assessed values also play a major role in evaluating this line item expense. Property tax exemptions or proposed payment in lieu of taxes (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. For Community Housing Development Organization ("CHDO") owned or controlled properties, [this documentation includes, at a minimum, a letter from the local appraisal district recognizing that the Applicant is or will be considered eligible for the ad valorem tax exemption.](#)~~this documentation includes, at a minimum, evidence of the CHDO designation from the State or local participating jurisdiction and a letter from the local taxing authority recognizing that the Applicant is or will be considered eligible for the property exemption.~~ The underwriting tolerance level for this line item is 10%.

§1.32(d)(5)(I) Reserves.

Comment: It is highly recommended that reserves for replacements, with the possible exception of new construction for elderly tenants, be set at minimum of \$250 per unit. Most other states require at least \$250 per unit for replacement reserves and increasing the minimum reserve level is proactive preservation of affordable housing.

Department Response: Staff supports and proposed this increase in the roundtable discussions held this summer, but after considerable discussion, a consensus was established to maintain the current NCHA \$200 per unit standard which is viewed as an adequate reserve amount.

§1.32(d)(5)(J)(i) Supportive Services Expense.

Comment: If any supportive service expenses are subject to available cash flow or otherwise "soft," they should not be included in expenses and Debt Coverage Ratio.

Department Response: We also received recommendations during the summer ad hoc sessions to continue to differentiate the way this issue is addressed for 9% LIHTC and 4% LIHTC/bond-financed developments. For 9% LIHTC Developments, the fee is shown above line as an operating expense. For 4% LIHTC/bond-financed Developments the fee has been shown below line as a potentially "soft" cost. Despite this ad hoc recommendation, staff recommends in the draft rules to treat both types of transactions in the same manner. Where supportive services are required due to a request for points or due to QAP requirements for bond transactions, there is no provision that allows them only to be provided when cash flow exists, thus they should not be treated as "soft." Staff recommends no change.

§1.32(d)(6)(A) Interest Rate.

Comment: Current language states, "The maximum rate that will be allowed . . ." We all agree that predicting the permanent loan interest rate that will be in effect once a Development is stabilized is difficult. But allowing the Department to establish a cap on the permanent loan interest rate is problematic as well. If an artificially low rate is dictated, projects will wind up with fewer tax credits than they need and the numbers will not work. This section indicates that the Department has historically used a certain average figure for the interest rate cap, but it does not say over what period the average is calculated or that this is definitely the figure that will be used.

Department Response: The purpose of the cap is to attempt to apply a fair and consistent maximum rate for all transactions by surveying the market at the time of application. Prescribing an absolute method of calculating this maximum will give rise to many transactions being set to

this artificial rate rather than the actual market rate and thereby reduce the validity of the underwriting. The last sentence of §1.32(d)(6)(A) states, "Historically this maximum acceptable rate has been at or below the average rate for 30-year US Treasury Bonds plus 400 basis points." Staff does not recommend a change.

§1.32(d)(6)(C) Acceptable Debt Coverage Ratio Range.

Comment: Current language states, "The acceptable DCR range for all priority or foreclosable lien financing plus the Department's proposed financing falls between a minimum of 1.10 to a maximum of 1.30." The language "priority or foreclosable lien financing" is ambiguous. The debt service coverage ratio should measure "hard" debt repayment obligations and not "soft" or cash flow debt. Yet, a cash flow debt can still have a foreclosable lien. Therefore, the language as written does not clearly state the Department's intention. Also, it should be clear that the debt service coverage ratio measures permanent financing and not construction financing.

Department Response: Staff believes the "hard" and "soft" language suggested is equally ambiguous. Staff recommends rewriting the sentence as follows:

(C) Acceptable Debt Coverage Ratio Range. The initial acceptable DCR range for all debt associated with permanent priority liens that are foreclosable as a result of nonpayment of a regularly scheduled amount plus the Department's proposed financing falls between a minimum of 1.10 to a maximum of 1.30. In rare instances, such as for HOPE VI and USDA Rural Development transactions, the minimum DCR may be less than 1.10 based upon documentation of acceptance of such an acceptable DCR from the lender. If the DCR is less than the minimum, a reduction in the debt service amount is recommended based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph. If the DCR is greater than the maximum, an increase in the debt service amount is recommended based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph, and the funding gap is reviewed to determine the continued need for Department financing. When the funding gap is reduced no adjustments are made to the level of Department financing unless there is an excess of financing, after the need for deferral of any developer fee is eliminated. If the increase in debt capacity provides excess sources of funds, the Underwriter adjusts any Department grant funds to a loan, if possible, and/or adjusts the interest rate of any Department loans upward until the DCR does not exceed the maximum or up to the prevailing current market rate for similar conventional funding, whichever occurs first. Where no Department grant or loan exists or the full market interest rate for the Department's loan has been accomplished, the Underwriter increases the conventional debt amount until the DCR is reduced to the maximum allowable. Any adjustments in debt service will become a condition of the Report, however, future changes in income, expenses, rates, and terms could allow additional adjustments to the final debt amount to be acceptable. In a Tax Credit transaction, an excessive DCR could negatively affect the amount of recommended tax credit, if based upon the Gap Method, more funds are available than are necessary after all deferral of developer fee is reduced to zero.

§1.32(d)(6) Net Operating Income and Debt Service.

Comment: Current language states, "NOI is the difference between the EGI and total operating expenses." This language is different from the language defining NOI in §1.31(b)(16). If the definition in §1.31(b)(16) is correct, then this sentence should be eliminated to avoid confusion. In addition, current language states, "If the NOI figure provided by the Applicant is within five percent of the NOI figure calculated by the Underwriter, the Applicant's figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating the DCR the Underwriter will maintain and use its independent calculation of NOI regardless of the characterization of the Applicant's figure. Only if the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates and characterized as acceptable or reasonable in the Report will the Applicant's estimate of NOI be used to determine the acceptable debt service amount." The first sentence implies that the Applicant's NOI figure cannot be used for the calculation of NOI under any circumstance. Then the second sentence states that the

Applicant's NOI figure can be used for the calculation of NOI under special conditions. The structure of this paragraph could be more clearly set forth as follows: "The Underwriter will review the Development's proposed NOI and DCR and determine an acceptable debt level for the Development. If the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates, then the Applicant's estimate of NOI will be used to determine the acceptable debt level for the Development. Otherwise, the Underwriter's estimate of NOI will be used to determine the acceptable debt level for the Development. The NOI figure provided by the Applicant must be within five percent of the NOI figure calculated by the Underwriter to be considered acceptable or reasonable in the Report."

Department Response: Staff agrees that the first sentence is inconsistent with the definition of NOI and, therefore, it has been deleted from §1.32(d)(6). Staff also agrees that the suggested language for the remainder of §1.32(d)(6) provides for a clearer statement. However, the final sentence of the suggested language is redundant. It is recommended that the current language is replaced with the suggested language, save the final sentence.

(6) Net Operating Income and Debt Service. ~~NOI is the difference between the EGI and total operating expenses.—The Underwriter will review the Development's proposed NOI and DCR and determine an acceptable debt level for the Development. If the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates, then the Applicant's estimate of NOI will be used to determine the acceptable debt level for the Development. Otherwise, the Underwriter's estimate of NOI will be used to determine the acceptable debt level for the Development. If the NOI figure provided by the Applicant is within five percent of the NOI figure calculated by the Underwriter, the Applicant's figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating the DCR the Underwriter will maintain and use its independent calculation of NOI regardless of the characterization of the Applicant's figure. Only if the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates and characterized as acceptable or reasonable in the Report will the Applicant's estimate of NOI be used to determine the acceptable debt service amount. In all other cases the Underwriter's estimates are used.~~ In addition to NOI, the interest rate, term, and Debt Coverage Ratio range affect the determination of the acceptable debt service amount.

§1.32(d)(7) Long Term Feasibility (or §1.32(e)(7) Developer Fee Limit)

Comment: Much comment was received on limiting to 50% the allowable amount of deferred developer fees. The amount of developer fee allowed to be deferred should be limited to 50% as in 2002 or at worst 60% and this should be added back to the QAP. An interest rate, suggested as the long term AFR, must be considered when calculating the ability of a Development to repay deferred developer fees within 15 years. Otherwise, part of the developer fee may be disallowed, causing a loss of eligible basis. We do not know of an attorney who will opine to developer fee as eligible basis unless paid back within 13 years. All investors look to the developer fee for cost overruns or as interest rate increase protection.

Department Response: Staff believes the 50% or 60% deferred developer fee limit can be unnecessarily burdensome to large developments in major metropolitan areas where the expense to income ratio may be low allowing for more potential future cash flow. In such cases, 100% of the developer fee could be deferred and be projected to be repaid in less than 10 years. Conversely, a small development where the expense to income ratio is high might not be able to repay a 30% deferral of developer fee within 15 years. Staff believes the evaluation of the repayment capacity of a Development is a better measurement of infeasibility. The 15-year, zero percent interest limits were established to provide maximum flexibility and when staff proposed stiffer limits of ten years at AFR during the summer discussion groups, they were widely discouraged. Staff feels that several transactions, which passed the 50% deferred developer fee test in 2002, would have failed a 15-year at AFR test. Fundamentally, the Department's objective should not be to fail the potentially marginal transaction at this stage, but rather to fail the extreme transaction. Staff recommends no change.

§1.32(e)(1)(B) Identity of Interest Acquisitions.

Comment: Much public comment was submitted opposing the Department’s approach to acquisition transactions involving an identity of interest. It was suggested that current policy may be well-intentioned, but establishes a tremendous disincentive for property owners to rehabilitate their projects in a manner that make them more serviceable for tenants in the long term. The current method is also viewed by some to be discriminatory. The Internal Revenue Code, through its related party rules, already establishes a significant restriction on the amount of profit that a property owner can achieve in an acquisition transaction. These federal rules should be sufficient for the Department. The Department should rely on a third party appraisal in making its calculations and should not open itself up to the criticism that can come with discretionary review. Since an appraisal is required for related party transactions, then that should be the only item required and (i), (iii), and (iv) should be eliminated. As currently drafted, this section allows the Department to look at a variety of factors, some of which are entirely subjective, and to establish its own acquisition costs figure. It can completely ignore the calculations of a third party appraiser who has been designated as a qualified professional by the Department. Why should the Department qualify the appraisers if it is not going to rely on them? Identity of interest transfers should be at reasonable market value, verified by an appraisal, either from a TDHCA approved list of appraisers or ordered by TDHCA.

Department Response: This issue received the most comment and staff’s position was clearly opposed by the participants in the ad hoc meetings held this summer to discuss these rules. As opposed to providing a disincentive for rehabilitation, this rule was drafted by staff to encourage funds to stay in the Development and to maximize their use for rehabilitation. The rule is intended to prevent existing owners from having the benefits of the seller and of the purchaser in the same transaction and extracting equity from a development in need of a cash infusion to maintain its affordability. The State of Texas, through its legislation, QAP, and rule making process, has established and is required to establish rules for the program that in many instances are more restrictive than the minimum Internal Revenue Code requirements. The Department does rely upon the third party appraisals that are provided through the Applicant. The appraisal provides a maximum acceptable transfer value amount. The Department hopes to avoid future potential criticism from the public for over-subsidizing an affordable Development, which could lead to a lack of future funding support from the public for all of the Department’s programs. The factors that should additionally be taken into account to validate funding needs of the redevelopment have been significantly clarified in the draft rules and were written to provide standards for considerably more objectivity than may have been perceived to exist in the past. An example of the effect of this rule is as follows:

An Applicant claims site acquisition costs of \$2 million and submits an appraisal indicating a market value of \$2 million. However, the Applicant originally acquired the property for only \$1.2 million. During the period of control, the Applicant has expended an additional \$300 thousand to make site improvements and \$100 thousand in interest expense, and has provided documentation verifying these costs. In addition, it is anticipated they will pay \$100 thousand in taxes on the profit from the transfer. The transfer value utilized in the underwriting analysis would be the

Original Acquisition Cost	\$1.2 million
+ Holding Costs	0.5 million
Transfer Value	\$1.7 million

Items that may be considered as holding costs include property taxes paid on vacant land, capital improvements on the improved property, interest expense and anticipated exit taxes. The example reflects an Applicant’s request for \$300 thousand in profit that would not be limited by the 15% developer profit limit. If, however, the final development budget indicates more than

\$300 thousand in deferred developer fees, there would be no effect on the funding source recommendation amounts as the “excess” would be funded out of cashflow from the operation of the Development and the Applicant is already entitled to receive Development cashflow. Staff does not recommend a change.

§1.32(e)(3) Site Work Costs.

Comment: We believe that analyzing a distinct category for site work costs is not necessary. The underwriting process already establishes a maximum total construction cost per square foot, and the site work is part of this figure. Concern about eligible basis under the TAMS has been addressed. In the alternative, if the Department believes that site work costs must be evaluated separately, then the \$7,500 threshold number should be increased significantly because it is not realistic. A maximum guideline of \$9,200 to \$10,000 per unit is suggested. In addition, historical data should be accepted as substantiation for costs in excess of the maximum guideline in lieu of an engineer’s cost certification in order to save developers money.

Department Response: While other direct construction costs of “sticks and bricks” can be predicted across transactions using costing techniques, sitework costs are Development specific and can and do vary widely. Moreover sitework cost differences can make or break a Development and should be thoroughly explored, especially when they are believed to be higher than typical. The draft rule and this rule in prior years have intended to encourage an Applicant who anticipates a higher than typical sitework cost to more thoroughly explore this significant variable prior to application. The Department increased this threshold from \$6,500 per unit last year and \$5,500 per unit the previous year. The actual average budgeted amount for 2002 applications underwritten was \$5,897 per unit for new construction Developments. Therefore, the 15% increase in the draft rule to \$7,500 should provide ample cushion for a typical Development. Staff does not recommend a change.

§1.32(e)(4)(A) New Construction.

Comment: Direct Construction Cost use of Marshall and Swift Residential Cost Handbook has proven to be an inaccurate technique for estimating cost around the state of Texas. The Marshall and Swift Residential Cost Handbook generally reflects the cost of construction in smaller communities as less than that in larger cities. However, cost associated with Developments contemplated in the LIHTC applications are of a larger scale than those in the Handbook and will require much of the labor and material to be imported to areas outside the major metropolitan areas of the state. As a result, the use of the Marshall and Swift Residential Cost Handbook places an unfair disadvantage on Developments in rural communities that are not in close proximity to a major city. Instead use the Marshall and Swift Cost Guide (Brown Book) to estimate cost in major cities of Texas and add cost factor for each 100 miles from the central business district. (ie: 1-100 = 0%; 100-200 = 5%; 201-300 = 10%; 301-400 = 15%). An alternative may be to use existing LIHTC production cost, both 4% and 9%, by region, taken from final cost certifications of prior year’s allocations indexed accordingly.

Department Response: While no cost estimating technique is going to be capable of perfectly predicting the final actual costs of a development, the Marshall and Swift methods employed by the Department have historically provided reasonably fair and accurate cost estimates. The accuracy of the Department’s methodology is most significantly impacted by the timing of the Development as it predicts costs as if they have just occurred rather than to occur in nine to 18 months in the future. Both the Marshall Valuation Services book (Brown Book) and the Residential Cost Handbook (Black Book) are employed by the Department and both emphasize the use of local multipliers which tend to be lower for the smaller communities. This is not always the case as Austin and San Antonio are currently reflecting multipliers that are less than those in Longview, Beaumont and Abilene according to both books. The Department generally emphasizes the use of the Black Book because it provides for a slightly more detailed, yet simple

and consistent, approach specifically tailored to housing development, while the Brown Book covers more generally all types of commercial development. While it is a long term goal of the underwriting division to more effectively utilize the final cost certification information available in identifying additional trends and anomalies to consider in the Marshall and Swift-based methodology, there is insufficient volume of cost certified transactions to base the entire costing methodology exclusively on recent cost certifications. The use of a distance adjuster as proposed would require significantly more detail as a proposal in regards to which major cities would be used for what areas and then may still be considered more arbitrary and artificial than the current Marshall and Swift methodologies. No change is recommended.

§1.32(e)(4)(A) New Construction.

Comment: The direct construction cost of providing gas utilities is higher than the cost for providing only electric. This difference in costs should be considered.

Department Response: This difference is difficult to measure except on a case-by-case basis, but would be accepted as established through third party documentation provided by the Applicant indicating the unique local factors that affect gas and electric utility installation and access. Without specific knowledge of extraordinary local differences, the general differences between the cost of gas versus electric amount to less than 1% of the total development budget and, therefore, are well within the Department's 5% tolerance level. No change is recommended.

§1.32(e)(9) Reserves.

Comment: It is highly recommended that TDHCA underwrite Development reserves at a minimum of three months of stabilized operating expenses including replacement reserves and management fees. Furthermore, TDHCA should allow Applicants to submit an amount of Development reserves in excess of three months worth so long as the Applicant submits an affidavit that there will be no provisions for the release of those reserves to the Applicant, Developer or its affiliates during the compliance period except to meet valid operating deficits or debt service payments as determined by the lender or syndicator, as applicable. However, another comment indicated operating reserves should not be required at the time of stabilization.

Department Response: Staff agrees with the first comments and recommends the following changes:

(9) Reserves. The Department will utilize the terms proposed by the syndicator or lender as described in the commitment letter(s) or the amount described in the Applicant's projected [cost schedule](#) if it is within the range of [two-three](#) to six months of stabilized operating expenses less management fees plus debt service.

§1.32(f) Developer Capacity.

Comment: TDHCA should consider obtaining the right for an underwriter to contact in writing only, any contractor, syndicator or lender that has previously worked with the Applicant, with a request for written response to determine if a material event of default currently exists in any construction contract, loan agreement or partnership agreement. Such responses should be noted or attached to the credit underwriting report.

Department Response: By virtue of the Applicant signing the Department's Authorization to Release Credit Information form, staff believes it currently has the right to make such inquiry on an as-needed basis. Due to time constraints in the underwriting process and the significant delays and limited value a routine request from every principal and every lender and syndicator is not made. The Applicant who has had a significantly bad performance record will have difficulty in obtaining initial and final commitments and will likely be exposed through the previous participation compliance process. No change is recommended.

§1.32(f)(1) Previous Experience.

Comment: Current language indicates, "The Underwriter will characterize the Development as "high risk" if the Developer has no previous experience in completing construction and reaching stabilized occupancy in a previous Development." Should the defined term "Sustaining Occupancy" be used instead for clarity?

Department Response: Staff agrees that the use of the defined term "Sustaining Occupancy" in place of "stabilized occupancy" is acceptable and the change is recommended.

(1) Previous Experience. The Underwriter will characterize the Development as "high risk" if the Developer has no previous experience in completing construction and reaching ~~stabilized~~ Sustaining Occupancy in a previous Development.

§1.32(f)(3)(B) Financial Statements of Principals.

Comment: The current underwriting guidelines indicate if a Development is financially feasible. However, there are sections within the underwriting guidelines that characterize a Development as 'high risk'. To expand on this, it is suggested that TDHCA establish ranges of risk criteria for certain aspects of each Development so that an overall feasibility risk can be presented. The risk levels assigned to a particular Development aspect could simply be "high risk" or "low risk". Some suggested aspects of Development include Debt Coverage Ratio on mandatory debt service, percentage of deferred developer fee, developer capacity, and market demand levels. For example, Developments with a Debt Coverage Ratio of less than 1.15 would receive a "high risk" indication on that Development aspect. The same Development could receive a "low risk" indication for having less than 10% of the Development fee projected to be deferred. Doing this should help provide the tax credit evaluation committee and staff with an overall picture of the risk of a Development in a summary format.

Department Response: Staff agrees and as part of the underwriting report and the standard operating procedures employed by the Department, various additional high risk indicators are indicated in the section of the report labeled "Summary of Salient Risks and Issues." However, there are numerous standard operating procedures that have not been re-documented in the draft rules since they apply to how the Department summarizes applications and monitors transactions and do not directly affect the current allocation process.

§1.32(g)(1) Floodplains.

Comment: Local engineering studies, if available, may be a better option than submission of FEMA floodplain maps. Floodplain requirements should be: buildings at least one foot above floodplain and drives and parking lots no lower than six inches below floodplain, subject to local regulations, if more restrictive.

Department Response: Staff believes that funding in floodplains is an issue that should be re-evaluated in the coming year. In the meantime, staff proposes the following change:

(1) Floodplains. The Underwriter evaluates the site plan ~~and~~ floodplain map, local engineering studies provided through the Applicant, and other information provided to determine if any of the buildings, drives, or parking areas reside within the 100-year floodplain. If such a determination is made by the Underwriter and the buildings' finished ground floor are not clearly engineered to be at least one foot above the floodplain and all drives and parking lots are not clearly engineered to be not lower than six inches below the floodplain, the Report will include a condition that the Applicant must pursue and receive a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F) or require the Applicant to identify the cost of flood insurance for the buildings and for the tenants' contents for buildings within the 100-year floodplain.

§1.32(g)(2) Inclusive Capture Rate.

Comment: It is not realistic to assume a capture rate in a community that has had no new Development in a number of years. Generally there is a pent-up demand for housing in smaller communities or in those communities that would not be able to support new construction cost without the LIHTC equity. These types of communities should be exempt from capture rate as long as the economic climate is strong and the need for housing is apparent. Further comment states, if the Market Study supports the feasibility of the proposed Development, the Department should not use the capture rate to disqualify that Development unless there is clear evidence (based on the Department's independent verifications) that the Market Study is flawed or fails to consider all applicable comparable units

Department Response: A Development proposed in a community that has not had a Development in recent years would be less likely to be impacted by the inclusive capture rate calculation since only the subject's proposed units would be considered. Moreover, the types of communities suggested in the first part of this comment are typically rural and the inclusive capture rate for rural areas allows up to 100% of the established demand to be captured before a negative recommendation is made. In response to the second part of the comment, the extent of the Market Study feasibility analysis as currently conceived is for the primary focus to be on the Development at hand, only. Unfortunately, because of timing differences, the Market Analyst is often not aware of recent Department awards and therefore, the Department's re-evaluation here is critical. The inclusive capture rate is designed to account for the effect of all proposed developments in the area. Furthermore, the last sentence of the comment does not offer a viable tool for underwriting. If the Market Study is flawed, staff would not have a means to calculate capture rate because of the need for a reliable demand calculation. No change is recommended.

§1.33(c)(2)(A) Market Analyst Qualifications.

Comment: Current language states, "Removal from the list of approved Market Analysts will not, in and of itself, invalidate a Market Analysis that has already been commissioned not more than 90 days before the Department's due date for submission as of the date the change in status of the Market Analyst is posted to the web." This language is difficult to read and confusing. Can it be clarified?

Department Response: Staff agrees and proposes the following:

(A) Removal from the list of approved Market Analysts will not, in and of itself, invalidate a Market Analysis. A Market Analysis, completed by a Market Analyst who is removed from the approved Market Analyst list, may be valid if the Market Analysis was commissioned before the Market Analyst's removal from the list, and this removal occurred less than 90 days before the Department's due date for submission of Market Analyses. For purposes of this paragraph, the effective date of removal from the approved Market Analyst list is the first date in which the Department's web posting no longer reflects the Market Analyst as being an approved Market Analyst. ~~that has already been commissioned not more than 90 days before the Department's due date for submission as of the date the change in status of the Market Analyst is posted to the web.~~

§1.33(d)(15)(A) Conclusions.

Comment: The term "subsidized rental rate conclusion" should be revised to reflect "restricted rental rate conclusions" to encompass units restricted under LIHTC program rules.

Department Response: Staff agrees that the use of the defined term "restricted" in place of "subsidized" is acceptable and the change is recommended.

(A) Provide a separate market and ~~subsidized-restricted~~ rental rate conclusion for each proposed unit type and rental restriction category. Conclusions of rental rates below the maximum net rent limit rents must be well reasoned, documented, consistent with the market data, and address any inconsistencies with the conclusions of the demand for the subject units.

§1.33(d)(15)(A) Conclusions.

Comment: The market rate rents should not be underwritten at a rate greater than 90% of the market rate rents for similar units in the market area. It is very common for lenders and syndicators to discount the market rate rents on an income restricted Development to this level. To underwrite at a higher rent level places a Development in serious jeopardy, especially if underwritten at less than 1.15 DCR.

Department Response: While staff agrees in principal with this recommendation, the Department already does not generally preclude an Applicant from anticipating market rents that are less than the Market Analyst's market rent conclusions so long as they are not less than the maximum restricted rent being charged. No change is recommended.

§1.33(d)(15)(D) Conclusions.

Comment: Current language states, "Calculate an inclusive capture rate for the subject Development defined as the sum of the proposed subject units plus any previously approved but unstabilized new comparable units in the Primary Market divided by the total income-eligible targeted renter demand identified by the Market Analysis for the subject Development's Primary Market Area. The Market Analyst should calculate a separate capture rate for the subject Development's proposed affordable units and market rate units as well as the subject Development as a whole." Proposed Language: "The Market Analyst should calculate a separate capture rate for the Development's proposed affordable units and market rate units as well as the Development as a whole. The capture rate of each applicable category (affordable, market rate, or both) shall be calculated individually and as follows: the sum of the proposed units in the Development plus any new Comparable Units located in the Primary Market Area that are in projects that have not achieved stabilized occupancy, divided by the total renter demand identified by the Market Analysis for the Primary Market." The new language is suggested to improve clarity.

Department Response: Staff agrees that clarification is needed, but the suggested language changes some of the intended meaning. Staff recommends the following:

(D) Calculate an inclusive capture rate for the subject Development defined as the sum of the proposed subject units plus any comparable units in previously approved new, but unstabilized Developments~~new Comparable Units~~ in the Primary Market, divided by the total income-eligible targeted renter demand identified by the Market Analysis for the subject Development's Primary Market Area. The Market Analyst should calculate a separate inclusive capture rate for the subject Development's proposed affordable units, ~~and~~ market rate units, ~~and as well as~~ the subject Development as a whole.

§1.33(d) Market Analysis Contents and (e) Single Family Developments.

Comment: Paragraph headings §1.33(d) deals with Market Analysis contents for multifamily Developments, and §1.33(e) deals with Market Analysis contents for single family Developments. In order to better distinguish these sections, it may be desirable to title §1.33(d) as "Market Analysis Contents Multifamily" and §1.33(e) as "Market Analysis Contents Single Family".

Department Response: Staff agrees with the proposed clarification and recommends the following:

(d) Market Analysis Contents - Multifamily. A Market Analysis for a ~~multifamily~~ Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) through (17) of this subsection.

(e) Market Analysis Contents - Single Family~~Developments~~.

§1.33(g) Market Analysis Rules and Guidelines.

Comment: Current language states, ". . . the Department . . . may substitute its own analysis and underwriting conclusions for those submitted by the Market Analyst." If the Department is going to certify Market Analysts as "qualified", then it should rely on the recommendations of those Analysts and should not substitute its own discretionary conclusions without some extraordinary circumstances. Comment was also received via comments on §49.9(e)(13)(B) of the draft 2003 Qualified Allocation Plan which states, "The Department does not have to rely on the Market Analyst and may substitute its own analysis and conclusions for those submitted by the qualified Market Analyst." In the event there is a Market Study disagreement, there needs to be an independent third party binding arbitration review to settle the issue. The Department, the Market Analysis, and the Developer may have valid reasons to assert a position. In fairness to all, a third party binding arbitrator can objectively review all the issues and render an unbiased opinion. It was also suggested that the arbiter should be an independent third party with no working history of either the Department or the Applicant.

Department Response: The current language is not new and no comment had been made to change it prior to the posting of these draft rules. The statement has been in the QAP since at least 1997 and preserves the Department's overall discretion to disagree with the conclusions of a particular Market Study. Applicants have the ability to appeal underwriting conclusions and could ask for a third party arbitrator on a case-by-case basis. Moreover, the time and resource constraints for the allocation process would preclude introducing another appeal process. Staff does not recommend a change.

§1.35(a) Environmental Site Assessment Guidelines.

Comment: The rule appears to exclude all environmental professionals who are not environmental or professional engineers from conducting a Phase I Environmental Site Assessment for the Department. A revision to the current language was suggested as follows: "The environmental assessment shall be conducted by a qualified environmental professional and be prepared at the expense of the Development Owner." The intent is to allow all environmental professionals with appropriate qualifications to be included.

Department Response: The current language is not new and has been part of the QAP for several years, staff recommends researching the issue and setting up an ad hoc group to focus on revising the Environmental Site Assessment Rules and Guidelines during the coming year.

§1.35(a)(1) Environmental Site Assessment Guidelines.

Comment: Current language states, "The report must include, but is not limited to:" The opening phrase of §1.35(a)(1) purports to set forth a list of information that must be included in the Environmental Site Assessment. However, §1.35(a)(1)(C) states that a noise study "is recommended". This implies that the noise study is discretionary and not mandatory, which is inconsistent with the opening phrase of this section. Similarly, §1.35(a)(1)(D) states that a survey should be provided "if available." This also implies that the survey is discretionary and not mandatory, which is inconsistent with the opening phrase of this section. Because §1.35(a)(1) presents a list, ";and" should be added after clause (E) and it should be deleted after clause (F).

Department Response: Staff agrees with the comment and recommends adjusting §1.35 accordingly.

(1) The report must include, but is not limited to:

(A) A review of records, interviews with people knowledgeable about the property;

(B) A certification that the environmental engineer has conducted an inspection of the property, the building(s), and adjoining properties, as well as any other industry standards concerning the preparation of this type of environmental assessment;

~~(C) A noise study is recommended for property located adjacent to or in close proximity to industrial zones, major highways, active rail lines, and civil and military airfields;~~

~~(DC)~~ A copy of a current survey, ~~if available,~~ or other drawing of the site reflecting the boundaries and adjacent streets, all improvements on the site, and any items of concern described in the body of the environmental site assessment or identified during the physical inspection;

~~(ED)~~ A copy of the current FEMA Flood Insurance Rate Map showing the panel number and encompassing the site with the site boundaries precisely identified and superimposed on the map. A determination of the flood risk for the proposed Development described in the narrative of the report includes a discussion of the impact of the 100-year floodplain on the proposed Development based upon a review of the current site plan; and

~~(FE) The report should include a~~ statement that clearly states that the person or company preparing the environmental assessment will not materially benefit from the Development in any other way than receiving a fee for the environmental assessment; and

(2) A noise study is recommended for property located adjacent to or in close proximity to industrial zones, major highways, active rail lines, and civil and military airfields.

~~(23)~~ If the report recommends further studies or establishes that environmental hazards currently exist on the Property, or are originating off-site but would nonetheless affect the Property, the Development Owner must act on such a recommendation or provide a plan for either the abatement or elimination of the hazard. Evidence of action or a plan for the abatement or elimination of the hazard must be presented upon Application submittal.

~~(34)~~ For Developments which have had a Phase II Environmental Assessment performed and hazards identified, the Development Owner is required to maintain a copy of said assessment on site available for review by all persons which either occupy the Development or are applying for tenancy.

~~(45)~~ Developments whose funds have been obligated by TxRD will not be required to supply this information; however, the Development Owners of such Developments are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

~~(56)~~ Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms with the requirements of this subsection.

REQUESTS THROUGH PUBLIC COMMENT FOR CLARIFICATION

§1.31(b)(1) Definition of Affordable Housing.

Comment: Current language states, "Housing that has been funded . . . or has at least one unit that is restricted in the rent that can be charged either by a Land Use Restriction Agreement or other form of Deed Restriction or by natural market forces at the equivalent of 30% of 100% of an area's median income as determined by HUD." What does it mean for rents to be restricted by "natural market forces," and does this language help in the understanding of the definition of Affordable Housing?

Department Response: The definition is intended to suggest that market rate units that rent at or below 30% of AMI due to "natural market forces" are affordable even if they are not restricted by LURA to this rent level.

§1.32(c)(2) Equity Gap Method.

Comment: Current language states, "This method evaluates the amount of funds needed to fill the gap created by total Development cost less total non-Department-sourced funds." Does this language work in circumstances where an Applicant requests funding under multiple TDHCA programs?

Department Response: The language that follows the quoted sentence addresses multiple Department programs.

§1.32(d)(2) Miscellaneous Income.

Comment: Current language states, "Exceptions must be justified by operating history of existing comparable properties . . ." What if there are no comparable properties? For instance, what if this is the first property in this area to provide certain kinds of services?

Department Response: Staff believes there would be significantly more risk associated with the Development's ability to rely on a fee for a service that has not been tested in the market place. Therefore, reliance on it would be more speculative and generally should not be relied upon.

§1.32(d)(2) Miscellaneous Income.

Comment: Current language states, "Collection rates of these exceptional fee items will generally be heavily discounted." What does the highlighted language mean? This appears to give the Department a great deal of discretion in calculation without any discernible standards.

Department Response: Because there are a myriad of potential fees that could be considered and because some are more speculative than others, the allowance of anything over the standard \$5 to \$15 per unit must be evaluated on a case-by-case basis. Likewise, the appropriate amount of the discount must be evaluated on a case-by-case basis depending on the reliability of the documentation provided.

§1.32(d)(6)(C) Acceptable Debt Coverage Ratio Range.

Comment: Current language states, "Any adjustments in debt service will become a condition of the Report, however, future changes in income, expenses, rates, and terms could allow additional adjustment to the final debt amount to be acceptable." Many transactions have a change in the debt service between the time they are underwritten and the time the final permanent loan is closed. What does the sentence above mean for that scenario? If a change in the debt structure is a condition to the commitment, then virtually every Development Owner will need to come back to the Department with a revised debt service plan at the time of permanent loan closing. This places a significant burden on the Department and creates uncertainty for the Development Owner in trying to syndicate its tax credits.

Department Response: Staff believes that SB 322 and the QAP already require every Development owner to come back to the Department with a revised debt structure as a material change when that occurs. In addition, every deal is already required to be re-evaluated for feasibility at cost certification. The language in this rule is intended to provide some acknowledgement to the Applicant of the Department's understanding that structures and conditions can and do change.

§1.32(e) Development Costs.

Comment: Current language states, "In the case of a rehabilitation Development, the Underwriter may use a lower tolerance level, due to the reliance upon the Applicant's authorized Third Party cost assessment." What does this mean? It appears to give the Department a great deal of discretion in calculation without any discernible standards.

Department Response: The statement means that if the Applicant provides a third party cost assessment, the Underwriter may use it to determine the appropriate fund amount even if the Applicant's figure is within 5% of the third party assessment.

§1.32(e)(4)(A) New Construction.

Comment: Current language states, "Whenever the Applicant's estimate is more than five percent greater or less than the Underwriter's Marshall and Swift based estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report." The language says that the Underwriter will attempt to reconcile deviations. What does this mean for the feasibility of the Development and the Underwriter's ultimate recommendation for

funding? Further, the Department requires the Market Analyst to determine if the cost of construction is reasonable. Why isn't this used for the analysis if it is required?

Department Response: The underwriting report will denote differences in Development costs and will identify them as a salient Development risk. The Market Analyst is not required to make such a determination.

§1.32(e)(8) Financing Costs.

Comment: We want to be sure that limiting construction period interest to one year of fully drawn interest on the construction loan applies only to limit eligible basis and not to limit total costs for gap calculation purposes. Each project is unique and leases up at its own rate. Seniors projects, in particular, are slow to lease up, and the construction loan may be outstanding for more than a year. Limiting the eligible basis may not affect the deal, but the costs are real and should be allowed for gap calculation purposes.

Department Response: This statement pertains to eligible basis only. The remaining "excess" interim interest cost would be removed to ineligible cost and, therefore, would be included in gap calculation.

§1.33(c)(1) Market Analyst Qualifications.

Comment: When is this information submitted? How much discretion is the Department going to have in placing a Market Analyst on the list or removing a Market Analyst from the list after receiving this?

Department Response: This information must be submitted before a Market Analyst can be placed on the approved list. If it is provided, they will be placed on the list and they will remain on the list until they ask to be removed or until removal as described in §1.33(c)(2) occurs.

§1.33(d)(13)(A) Comparable Property Analysis.

Comment: "Total adjustments made to the Comparable Units in excess of 15% suggest a weak comparable." What are the implications of this for the underwriting and the potential allocation of funding?

Department Response: This provides the Market Analyst with a guideline beyond which the Department would require additional explanation. Without the additional explanation, the underwriting report would indicate a reduced confidence in the conclusions of the study.

MINOR TECHNICAL CHANGES FOR CONSISTENCY

§§1.32 and 1.33 Defined Terms.

Comment: A number of terms are capitalized and defined in §1.31(b). Once they are defined, they should be used as capitalized, defined terms consistently throughout the Guidelines. Consistency in the use of defined terms ensures uniform interpretation of the Guidelines in a manner that is consistent with the Department's intent. The following defined terms should be capitalized in the Sections described below.

Applicant	§§1.33(d)(15)(B), 1.33(g)
Debt Coverage Ratio	§§1.32(d), 1.32(d)(5)(J)(i), 1.32(d)(5)(J)(iii), 1.32(d)(6)
Development	§1.32(d)(1)(B)
Market Analyst	§§1.33(c), 1.33(c)(1), 1.33(c)(2), 1.33(c)(2)(A)
Market Study	§§1.32(d)(2), 1.33(e)(1)
Net Operating Income	§1.32(d)
Program Rents	§1.32(d)(1)

Department Response: Staff recommends the change.

§1.31(b)(3) Definition of Cash Flow.

Comment: Current language states, "The funds available from operations after all expenses and debt service required to be paid has been considered." Due to a tense problem, the statement should be changed to: "The funds available from operations after all expenses and debt service required to be paid have been considered."

Department Response: Staff recommends the change.

§1.32(d)(2) Miscellaneous Income.

Comment: Current language states, "Any estimates for secondary income above or below this amount are only considered if they are well documented by the financial statements of comparable properties as being achievable in the proposed market area as determined by the Underwriter." "Market area" should be changed to "Primary Market".

Department Response: Staff recommends the change.

§1.32(d)(3) Vacancy and Collection Loss.

Comment: Current language states, "The Underwriter uses a vacancy rate of 7.5% (5% vacancy plus 2.5% for collection loss) unless the Market Analysis reflects a higher or lower established vacancy rate for the area." Change "area" to "Primary Market". Use of a defined term is always preferable for clarity of interpretation.

Department Response: Staff recommends the change.

§1.32(d)(6)(B) Term.

Comment: Current language states, "The primary debt loan term is reflected in the commitment letter." For clarity, the statement should be changed to: "The primary debt loan term utilized by the Underwriter is the one reflected in the commitment letter."

Department Response: Staff recommends the change.

§1.32(d)(7) Long Term Feasibility.

Comment: Current language states, "The base year projection utilized is the Underwriter's EGI, expenses, and NOI unless the Applicant's EGI, total expenses, and NOI are each within five percent" To make language consistent internally and also consistent with a similar provision in Section 1.32(d)(6), the statement should be changed to: "The base year projection utilized is the Underwriter's EGI, total expenses, and NOI unless the Applicant's EGI, total expenses, and NOI are each within five percent"

Department Response: Staff recommends the change.

§1.32(e)(2) Off-Site Costs.

Comment: Current language states, "Off-Site costs are costs of Development up to the site itself such as the cost of roads, water, sewer and other utilities to provide the site with access." For clarity, the statement should be changed to: "Off-site costs are Development costs for work done outside of the actual Development site such as the cost of roads, water, sewer and other utilities to provide the site with access."

Department Response: Staff recommends the change.

§1.32(e)(4)(A) New Construction.

Comment: Current language states, "Whenever the Applicant's estimate is more than five percent greater or less than the Underwriter's Marshall and Swift based estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report." Note, the incorrect spelling of the word "five".

Department Response: The spelling correction from "fiver" to "five" is recommended.

§1.32(e)(5) Hard Cost Contingency.

Comment: Current language states, "The Applicant's figure is used by the Underwriter if the figure is less than five percent (5%)." For balance with the immediately preceding sentence, the statement should be changed to: "The Applicant's figure is used by the Underwriter if the figure is less than five percent (5%) or ten percent (10%), respectively."

Department Response: Staff recommends the change.

§1.32(e)(10) Other Soft Costs.

Comment: Current language states, ". . . the Applicant is given an opportunity to clarify and address the concern prior to removal from basis." Due to a spelling error, the statement should be changed to: ". . . the Applicant is given an opportunity to clarify and address the concern prior to removal from basis."

Department Response: Staff recommends the change.

§1.34(e)(13)(D) Description of Improvements.

Comment: Current language states, "Provide a thorough description and analysis of the improvement . . ." To correct syntax, the statement should be changed to: "Provide a thorough description and analysis of the improvements . . ."

Department Response: Staff recommends the change.

§1.34(e)(15)(B)(ii)(III) NOI/Unit of Comparison.

Comment: Current language states, "If used in the report, the net income statistics for the comparables for must . . ." To correct syntax, the statement should be changed to: "If used in the report, the net income statistics for the comparables must . . ."

Department Response: Staff recommends the change.

§1.34(e)(15)(C)(iii) Vacancy/Collection Loss.

Comment: Current language states, ". . . overall occupancy data for the subject's market area." Change "market area" to "Primary Market." Use of a defined term is always preferable for clarity of interpretation.

Department Response: Staff recommends the change.

END OF PUBLIC COMMENT



2003 Underwriting, Market Analysis, Appraisal, and Environmental Site Assessment Rules and Guidelines

TITLE 10
PART 1
CHAPTER 1
SUBCHAPTER B UNDERWRITING, MARKET ANALYSIS, APPRAISAL, AND ENVIRONMENTAL SITE ASSESSMENT RULES AND GUIDELINES

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§1.31 General Provisions.

(a) Purpose. The Rules in this subchapter apply to the underwriting, market analysis, appraisal, and environmental site assessment standards employed by the Texas Department of Housing and Community Affairs (the “Department” or “TDHCA”). This chapter provides rules for the underwriting review of an affordable housing ~~development~~Development’s financial feasibility and economic viability. In addition, this chapter guides the underwriting staff in making recommendations to the Executive Award and Review Advisory Committee (“the Committee”), Executive Director, and TDHCA Governing Board (“the Board”) to help ensure procedural consistency in the award determination process. Due to the unique characteristics of each ~~development~~Development the interpretation of the rules and guidelines described in subchapter B of this chapter is subject to the discretion of the Department and final determination by the Board.

(b) Definitions. Many of the terms used in this subchapter are defined in 10TAC §§49 and 50 of this title (the Department’s Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules, known as the “QAP”). Those terms that are not defined in the QAP or which may have another meaning when used in subchapter B of this title, shall have the meanings set forth in this subsection unless the context clearly indicates otherwise.

(1) Affordable Housing—Housing that has been funded through one or more of the Department’s programs or other local, state or federal programs or has at least one unit that is restricted in the rent that can be charged either by a Land Use Restriction Agreement or other form of Deed Restriction or by natural market forces at the equivalent of 30% of 100% of an area’s median income as determined by the United States Department of Housing and Urban ~~development~~Development (“HUD”).

(2) Affordability Analysis—An analysis of the ability of a prospective buyer or renter at a specified income level to buy or rent a housing unit at specified price or rent.

(3) Cash Flow--The funds available from operations after all expenses and debt service required to be paid ~~has have~~ been considered.

(4) Credit Underwriting Analysis Report—Sometimes referred to as the “Report.” A decision making tool used by the Department and Board, described more fully in §1.32(a) and (b) of this subchapter.

(5) Comparable Unit—A unit of housing that is of similar type, age, size, location and other discernable characteristics that can be used to compare and contrast from a proposed or existing unit.

(6) DCR--Debt Coverage Ratio. Sometimes referred to as the “Debt Coverage” or “Debt Service Coverage.” A measure of the number of times the required payments of loan principal and interest are covered by Net Operating Income.~~A measure of the number of times loan principal and interest are covered by net after tax income.~~

(7) Development—Proposed multi-unit residential housing that meets the affordability requirements for and requests funds from one or more of the Department’s sources of funds.

(8) EGI--Effective Gross Income. The sum total of all sources of anticipated or actual income for a rental Development less vacancy and collection loss, leasing concessions, and rental income from employee-occupied units that is not anticipated to be charged or collected.

(9) Gross Program Rent—Sometimes called the “Program Rents.” Maximum Rent Limits based upon the tables promulgated by the Department’s division responsible for compliance by program and by county or Metropolitan Statistical Area (“MSA”) or Primary Metropolitan Statistical Area (“PMSA”).

(10) HUD--The United States Department of Housing and Urban Development. The department of the US Government responsible for major housing and urban Development programs, including programs that are redistributed through the State such as HOME and CDBG.

(11) Local Amenities-- Amenities located near and available to the tenants of a proposed Development, including but not limited to police and fire protection, transportation, healthcare, retail, grocers, educational institutions, employment centers, parks, public libraries, and entertainment centers. ~~Include, but are not limited to police and fire protection, transportation, healthcare, retail, grocers, educational institutions, employment centers, parks, public libraries, entertainment centers, etc.~~

(12) Low Income Housing Tax Credit(s)--Sometimes referred to as “LIHTC” or “Tax Credit(s).” A financing source allocated by the Department as determined by the QAP. The Tax Credits are typically sold through syndicators to raise equity for the Development.

(13) Market Analysis—Sometimes referred to as a Market Study. An evaluation of the economic conditions of supply, demand and pricing conducted in accordance with the Department’s Market Analysis Rules and Guidelines in §1.33 of this subchapter as it relates to a specific Development

(14) Market Analyst—An individual or firm providing market information for use by the Department.

(15) Market Rent—The unrestricted rent concluded by the Market Analyst for a particular unit type and size after adjustments are made to Comparable Units.

(16) NOI--Net Operating Income. The income remaining after all operating expenses, including replacement reserves and taxes have been paid.

(17) Primary Market—Sometimes referred to as “Primary Market Area” or “Submarket.” The area defined from which political/geographical boundaries that a proposed or existing Development is most likely to draw the bulk of its prospective tenants or homebuyers.

(18) Rent Over-Burdened Households-- Non-elderly households paying more than 35% of gross income towards total housing expenses (unit rent plus utilities) and elderly households paying more than 40% of gross income towards total housing expenses.

(19) Sustaining Occupancy--The occupancy level at which rental income plus secondary income is equal to all operating expenses and mandatory debt service requirements for a Development.

(20) TDHCA Operating Expense Database—Sometimes called the TDHCA Database. This is a consolidation of recent actual operating expense information collected through the Department’s Annual Owner Financial Certification process and published on the Department’s web site.

(21) Third Party--A Third Party is a Person which is not an Affiliate, Related Party, or Beneficial Owner of the Applicant, General Partner(s), Developer, or Person receiving any portion of the developer fee or contractor fee.

(22) Underwriter—the author(s), as evidenced by signature, of the Credit Underwriting Analysis Report.

(23) Unstabilized Development— A Development that has not maintained a 90% occupancy level for at least 12 consecutive months.

(24) Utility Allowance(s)—The estimate of tenant-paid utilities, based either on the most current HUD Form 52667, “Section 8, Existing Housing Allowance for Tenant-Furnished Utilities and Other Services”, provided by the appropriate local Public Housing Authority ~~with most direct jurisdiction over the majority of the buildings existing~~ consistent with the current QAP or a documented estimate from the utility provider proposed in the Application. Documentation from the local utility provider to support an alternative calculation can be used to justify alternative Utility Allowance conclusions but must be specific to the subject Development and consistent with the building plans provided.

§1.32. Underwriting Rules and Guidelines.

(a) General Provisions. The Department, through the division responsible for underwriting, produces or causes to be produced a Credit Underwriting Analysis Report (the “Report”) for every Development

recommended for funding through the Department. The primary function of the Report is to provide the Committee, Executive Director, the Board, ~~applicant~~[Applicants](#), and the public a comprehensive analytical report and recommendations necessary to make well informed decisions in the allocation or award of the State's limited resources. The Report in no way guarantees or purports to warrant the actual performance, feasibility, or viability of the Development by the Department.

(b) Report Contents. The Report provides an organized and consistent synopsis and reconciliation of the application information submitted by the Applicant. At a minimum, the Report includes:

- (1) Identification of the Applicant and any principals of the Applicant;
- (2) Identification of the funding type and amount requested by the Applicant;
- (3) The Underwriter's funding recommendations and any conditions of such recommendations;
- (4) Evaluation of the affordability of the proposed housing units to prospective residents;
- (5) Review and analysis of the Applicant's operating proforma as compared to industry information, similar Developments previously funded by the Department, and the Department guidelines described in this section;
- (6) Analysis of the Development's debt service capacity;
- (7) Review and analysis of the Applicant's Development budget as compared to the estimate prepared by the Underwriter under the guidelines in this section;
- (8) Evaluation of the commitment for additional sources of financing for the Development;
- (9) Review of the experience of the Development team members;
- (10) Identification of related interests among the members of the Development team, Third Party service providers and/or the seller of the property;
- (11) Analysis of the Applicant's and principals' financial statements and creditworthiness including a review of the credit report for each of the principals in for-profit Developments subject to the Texas Public Information Act;
- (12) Review of the proposed Development plan and evaluation of the proposed improvements and architectural design;
- (13) Review of the Applicant's evidence of site control and any potential title issues that may affect site control;
- (14) Identification and analysis of the site which includes review of the independent site inspection report prepared by a TDHCA staff member;
- (15) Review of the Phase I Environmental Site Assessment in conformance with the Department's Environmental Site Assessment Rules and Guidelines in §1.35 of this subchapter or soils and hazardous material reports as required; and,
- (16) Review of market data and ~~market study~~[Market Study](#) information and any valuation information available for the property in conformance with the Department's Market Analysis Rules and Guidelines in §1.33 of this subchapter.

(c) Recommendations in the Report. The conclusion of the Report includes a recommended award of funds or allocation of Tax Credits based on the lesser amount calculated by the eligible basis method (if applicable), equity gap method, or the amount requested by the Applicant as further described in paragraphs (1) through (3) of this subsection.

(1) Eligible Basis Method. This method is only used for Developments requesting Low Income Housing Tax Credits. This method is based upon calculation of eligible basis after applying all cost verification measures and limits on profit, overhead, general requirements, and developer fees as described in this section. The Applicable Percentage used in the Eligible Basis Method is as defined in the QAP.

(2) Equity Gap Method. This method evaluates the amount of funds needed to fill the gap created by total Development cost less total non-Department-sourced funds. In making this determination, the Underwriter resizes any anticipated deferred developer fee down to zero before reducing the amount of Department funds. In the case of Low Income Housing Tax Credits, the syndication proceeds are divided by the syndication rate to determine the amount of Tax Credits. In making this determination, the Department adjusts the permanent loan amount and/or any Department-sourced loans, as necessary, such that it conforms to the NOI and DCR standards described in this section.

(3) The Amount Requested. This is the amount of funds that is requested by the Applicant as reflected in the application documentation.

(d) Operating Feasibility. The operating financial feasibility of every Development funded by the Department is tested by adding total income sources and subtracting vacancy and collection losses and operating expenses to determine ~~net operating income~~[Net Operating Income](#). This ~~net operating income~~[Net](#)

Operating Income is divided by the annual debt service to determine the ~~debt coverage ratio~~Debt Coverage Ratio. The Underwriter characterizes a Development as infeasible from an operational standpoint when the ~~debt coverage ratio~~Debt Coverage Ratio does not meet the minimum standard set forth in paragraph (6) of this subsection. The Underwriter may choose to make adjustments to the financing structure, such as lowering the debt and increasing the deferred developer fee that could result in a re-characterization of the Development as feasible based upon specific conditions set forth in the Report.

(1) Rental Income. The Program Rent less Utility Allowances and/or Market Rent (if the project is not 100% affordable) is utilized by the Underwriter in calculating the rental income for comparison to the Applicant's estimate in the application. Where multiple programs are funding the same units, the lowest Program Rents for those units is used. If the Market Rents, as determined by the Market Analysis, are lower than the net ~~program rents~~Program Rents, then the Market Rents for those units are utilized.

(A) Market Rents. The Underwriter reviews the Attribute Adjustment Matrix of Market Rent comparables by unit size provided by the Market Analyst and determines if the adjustments and conclusions made are reasoned and well documented. The Underwriter uses the Market Analyst's conclusion of adjusted Market Rent by unit, as long as the proposed Market Rent is reasonably justified and does not exceed the highest existing unadjusted market comparable rent. Random checks of the validity of the Market Rents may include direct contact with the comparable properties. The Market Analyst's Attribute Adjustment Matrix should include, at a minimum, adjustments for location, size, amenities, and concessions as more fully described in §1.33 of this subchapter, the Department's Market Analysis Rules and Guidelines.

(B) Program Rents. The Underwriter reviews the Applicant's proposed rent schedule and determines if it is consistent with the representations made in the remainder of the application. The Underwriter uses the Program Rents as promulgated by the Department's Compliance Division for the year that is most current at the time the underwriting begins. When underwriting for a simultaneously funded competitive round, all of the applications are underwritten with the rents promulgated for the same year. Program Rents are reduced by the Utility Allowance. The Utility Allowance figures used are determined based upon what is identified in the application by the Applicant as being a utility cost paid by the tenant and upon other consistent documentation provided in the application. Water and sewer can only be a tenant-paid utility if the units will be individually metered for such services. Gas utilities are verified on the building plans and elsewhere in the application when applicable. Trash allowances paid by the tenant are rare and only considered when the building plans allow for individual exterior receptacles. Refrigerator and range allowances are not considered part of the tenant-paid utilities unless the tenant is expected to provide their own appliances, and no eligible appliance costs are included in the Development cost breakdown.

(2) Miscellaneous Income. All ancillary fees and miscellaneous secondary income, including but not limited to late fees, storage fees, laundry income, interest on deposits, carport rent, washer and dryer rent, telecommunications fees, and other miscellaneous income, are anticipated to be included in a \$5 to \$15 per unit per month range. Any estimates for secondary income above or below this amount are only considered if they are well documented by the financial statements of comparable properties as being achievable in the proposed ~~market area~~Primary Market as determined by the Underwriter. Exceptions may be made for special uses, such as garages, congregate care/assisted living/elderly facilities, and child care facilities. Exceptions must be justified by operating history of existing comparable properties and should also be documented as being achievable in the submitted ~~market study~~Market Study. The Applicant must show that the tenant will not be required to pay the additional fee or charge as a condition of renting an apartment unit and must show that the tenant has a reasonable alternative. Collection rates of these exceptional fee items will generally be heavily discounted. If the total secondary income is over the maximum per unit per month limit, any cost associated with the construction, acquisition, or Development of the hard assets needed to produce an additional fee may also need to be reduced from eligible basis for Tax Credit Developments as they may, in that case, be considered to be a commercial cost rather than an incidental to the housing cost of the Development. The use of any secondary income over the maximum per unit per month limit that is based on the factors described in this paragraph is subject to the determination by the Underwriter that the factors being used are well documented.

(3) Vacancy and Collection Loss. The Underwriter uses a vacancy rate of 7.5% (5% vacancy plus 2.5% for collection loss) unless the Market Analysis reflects a higher or lower established vacancy rate for the ~~area~~Primary Market. Elderly and 100% project-based rental subsidy Developments and other well

documented cases may be underwritten at a combined 5% at the discretion of the Underwriter if the historical performance reflected in the Market Analysis is consistently higher than a 95% occupancy rate.

(4) Effective Gross Income (“EGI”). The Underwriter independently calculates EGI. If the EGI figure provided by the Applicant is within five percent of the EGI figure calculated by the Underwriter, the Applicant’s figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation of EGI regardless of the characterization of the Applicant’s figure.

(5) Expenses. The Underwriter evaluates the reasonableness of the Applicant’s expense estimate based upon line item comparisons with specific data sources available. Evaluating the relative weight or importance of the expense data points is one of the most subjective elements of underwriting. Historical stabilized certified or audited financial statements of the property will reflect the strongest data points to predict future performance. The Department also maintains a database of performance of other similar sized and type properties across the State. In the case of a new Development, the Department’s database of property in the same location or region as the proposed Development provides the most heavily relied upon data points. The Department also uses data from the Institute of Real Estate Management’s (IREM) most recent *Conventional Apartments-Income/Expense Analysis* book for the proposed Development’s property type and specific location or region. In some cases local or project-specific data such as Public Housing Authority (“PHA”) Utility Allowances and property tax rates are also given significant weight in determining the appropriate line item expense estimate. Finally, well documented information provided in the Market Analysis, the application, and other well documented sources may be considered. In most cases, the data points used from a particular source are an average of the per unit and per square foot expense for that item. The Underwriter considers the specifics of each transaction, including the type of Development, the size of the units, and the Applicant’s expectations as reflected in the proforma to determine which data points are most relevant. The Underwriter will determine the appropriateness of each data point being considered and must use their reasonable judgment as to which one fits each situation. The Department will create and utilize a feedback mechanism to communicate and allow for clarification by the Applicant when the overall expense estimate is over five percent greater or less than the Underwriter’s estimate or when specific line items are inconsistent with the Underwriter’s expectation based upon the tolerance levels set forth for each line item expense in subparagraphs (A) through (J) of this paragraph. If an acceptable rationale for the individual or total difference is not provided, the discrepancy is documented in the Report and the justification provided by the Applicant and the countervailing evidence supporting the Underwriter’s determination is noted. If the Applicant’s total expense estimate is within five percent of the final total expense figure calculated by the Underwriter, the Applicant’s figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation of expenses regardless of the characterization of the Applicant’s figure.

(A) General and Administrative Expense. General and Administrative Expense includes all accounting fees, legal fees, advertising and marketing expenses, office operation, supplies, and equipment expenses. Historically, the TDHCA Database average has been used as the Department’s strongest initial data point as it has generally been consistent with IREM regional and local figures. The underwriting tolerance level for this line item is 20%.

(B) Management Fee. Management Fee is paid to the property management company to oversee the effective operation of the property and is most often based upon a percentage of Effective Gross Income as documented in the management agreement contract. Typically, five percent of the effective gross income is used, though higher percentages for rural transactions that are consistent with the TDHCA Database can be concluded. Percentages as low as three percent may be utilized if documented with a Third Party management contract agreement with an acceptable management company. The Underwriter will require documentation for any percentage difference from the 5% of the Effective Gross Income standard.

(C) Payroll and Payroll Expense. Payroll and Payroll Expense includes all direct staff payroll, insurance benefits, and payroll taxes including payroll expenses for repairs and maintenance typical of a conventional Development. It does not, however, include direct security payroll or additional supportive services payroll. In urban areas, the local IREM per unit figure has historically held considerable weight as the Department’s strongest initial data point. In rural areas, however, the TDHCA Database is often considered more reliable. The underwriting tolerance level for this line item is 10%.

(D) Repairs and Maintenance Expense. Repairs and Maintenance Expense includes all repairs and maintenance contracts and supplies. It should not include extraordinary capitalized expenses that would result from major renovations. Direct payroll for repairs and maintenance activities are included in payroll expense. Historically, the TDHCA Database average has been used as the Department's strongest data point as it has generally been consistent with IREM regional and local figures. The underwriting tolerance level for this line item is 20%.

(E) Utilities Expense (Gas & Electric). Utilities Expense includes all gas and electric energy expenses paid by the owner. It includes any pass-through energy expense that is reflected in the unit rents. Historically, the lower of an estimate based on 25.5% of the PHA local Utility Allowance or the TDHCA Database or local IREM averages have been used as the most significant data point [for utility expenses attributable to common areas](#). The higher amount may be used, however, if the current typical higher efficiency standard utility equipment is not projected to be included in the Development upon completion or if the higher estimate is more consistent with the Applicant's projected estimate. Also a lower or higher percentage of the PHA allowance may be used, depending on the amount of common area, and adjustments will be made for utilities typically paid by tenants that in the subject are owner-paid as determined by the Underwriter. The underwriting tolerance level for this line item is 30%.

(F) Water, Sewer and Trash Expense. Water, Sewer and Trash Expense includes all water, sewer and trash expenses paid by the owner. It would also include any pass-through water, sewer and trash expense that is reflected in the unit rents. Historically, the lower of the PHA allowance or the TDHCA Database average has been used. The underwriting tolerance level for this line item is 30%.

(G) Insurance Expense. Insurance Expense includes any insurance for the buildings, contents, and liability but not health or workman's compensation insurance. Historically, the TDHCA Database is used with a minimum \$0.16 per net rentable square foot. Additional weight is given to a Third Party bid or insurance cost estimate provided in the application reflecting a higher amount for the proposed Development. The underwriting tolerance level for this line item is 50%.

(H) Property Tax. Property Tax includes all real and personal property taxes but not payroll taxes. The TDHCA Database is used to interpret a per unit assessed value average for similar properties which is applied to the actual current tax rate. The per unit assessed value is most often contained within a range of \$15,000 to \$35,000 but may be higher or lower based upon documentation from the local tax assessor. Location, size of the units, and comparable assessed values also play a major role in evaluating this line item expense. Property tax exemptions or proposed payment in lieu of taxes (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. For Community Housing Development Organization ("CHDO") owned or controlled properties, [this documentation includes, at a minimum, a letter from the local appraisal district recognizing that the Applicant is or will be considered eligible for the ad valorem tax exemption](#) ~~this documentation includes, at a minimum, evidence of the CHDO designation from the State or local participating jurisdiction and a letter from the local taxing authority recognizing that the Applicant is or will be considered eligible for the property exemption.~~ The underwriting tolerance level for this line item is 10%.

(I) Reserves. Reserves include annual reserve for replacements of future capitalizable expenses as well as any ongoing additional operating reserve requirements. The Underwriter includes reserves of \$200 per unit for new construction and \$300 per unit for rehabilitation Developments. Higher levels of reserves may be used if they are documented in the financing commitment letters. The Underwriter will require documentation for any difference from the \$200 new construction and \$300 rehabilitation standard.

(J) Other Expenses. The Underwriter will include other reasonable and documented expenses, other than depreciation, interest expense, lender or syndicator's asset management fees, or other ongoing partnership fees. Lender or syndicator's asset management fees or other ongoing partnership fees are not considered in the Department's calculation of debt coverage in any way. The most common other expenses are described in more detail in clauses (i) through (iii) of this subparagraph.

(i) Supportive Services Expense. Supportive Services Expense includes the cost to the owner of any non-traditional tenant benefit such as payroll for instruction or activities personnel. Documented contract costs will be reflected in Other Expenses. Any selection points for this item will be evaluated prior to underwriting. The Underwriter's verification will be limited to assuring any documented costs are included. For all transactions supportive services expenses are considered part of Other Expenses and are considered part of the ~~debt coverage ratio~~ [Debt Coverage Ratio](#).

(ii) Security Expense. Security Expense includes contract or direct payroll expense for policing the premises of the Development and is included as part of Other Expenses. The Applicant's amount is moved to Other Expenses and typically accepted as provided. The Underwriter will require documentation of the need for security expenses that exceed 50% of the anticipated payroll and payroll expenses estimate discussed in subsection (d)(4)(C) of this section.

(iii) Compliance Fees. Compliance fees include only compliance fees charged by TDHCA. The Department's charge for a specific program may vary over time, however, the Underwriter uses the current charge per unit per year at the time of underwriting. For all transactions compliance fees are considered part of Other Expenses and are considered part of the ~~debt coverage ratio~~Debt Coverage Ratio.

(6) Net Operating Income and Debt Service. ~~NOI is the difference between the EGI and total operating expenses. The Underwriter will review the Development's proposed NOI and DCR and determine an acceptable debt level for the Development. If the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates, then the Applicant's estimate of NOI will be used to determine the acceptable debt level for the Development. Otherwise, the Underwriter's estimate of NOI will be used to determine the acceptable debt level for the Development. If the NOI figure provided by the Applicant is within five percent of the NOI figure calculated by the Underwriter, the Applicant's figure is characterized as acceptable or reasonable in the Report, however, for purposes of calculating the DCR the Underwriter will maintain and use its independent calculation of NOI regardless of the characterization of the Applicant's figure. Only if the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates and characterized as acceptable or reasonable in the Report will the Applicant's estimate of NOI be used to determine the acceptable debt service amount. In all other cases the Underwriter's estimates are used.~~ In addition to NOI, the interest rate, term, and Debt Coverage Ratio range affect the determination of the acceptable debt service amount.

(A) Interest Rate. The interest rate used should be the rate documented in the commitment letter. The maximum rate that will be allowed for a competitive application cycle is evaluated by the Director of Credit Underwriting and posted to the Department's web site prior to the close of the application acceptance period. Historically this maximum acceptable rate has been at or below the average rate for 30-year U.S. Treasury Bonds plus 400 basis points.

(B) Term. The primary debt loan term utilized by the Underwriter is the one~~is~~ reflected in the commitment letter. The Department generally requires an amortization of not less than 30 years and not more than 50 years or an adjustment to the amortization structure is evaluated and recommended. In non-Tax Credit transactions a lesser amortization term may be used if the Department's funds are fully amortized over the same period.

(C) Acceptable Debt Coverage Ratio Range. The initial acceptable DCR range for all ~~debt associated with priority or foreclosable lien financing~~permanent priority liens that are foreclosable as a result of nonpayment of a regularly scheduled amount plus the Department's proposed financing falls between a minimum of 1.10 to a maximum of 1.30. In rare instances, such as for HOPE VI and USDA Rural Development transactions, the minimum DCR may be less than 1.10 based upon documentation of acceptance of such an acceptable DCR from the lender. If the DCR is less than the minimum, a reduction in the debt service amount is recommended based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph. If the DCR is greater than the maximum, an increase in the debt service amount is recommended based upon the rates and terms in the permanent loan commitment letter as long as they are within the ranges in subparagraphs (A) and (B) of this paragraph, and the funding gap is reviewed to determine the continued need for Department financing. When the funding gap is reduced no adjustments are made to the level of Department financing unless there is an excess of financing, after the need for deferral of any developer fee is eliminated. If the increase in debt capacity provides excess sources of funds, the Underwriter adjusts any Department grant funds to a loan, if possible, and/or adjusts the interest rate of any Department loans upward until the DCR does not exceed the maximum or up to the prevailing current market rate for similar conventional funding, whichever occurs first. Where no Department grant or loan exists or the full market interest rate for the Department's loan has been accomplished, the Underwriter increases the conventional debt amount until the DCR is reduced to the maximum allowable. Any adjustments in debt service will become a condition of the Report, however, future changes in income, expenses, rates, and terms could allow additional adjustments to the final debt amount to be acceptable. In a Tax Credit transaction, an

excessive DCR could negatively affect the amount of recommended tax credit, if based upon the Gap Method, more funds are available than are necessary after all deferral of developer fee is reduced to zero.

(7) Long Term Feasibility. The Underwriter will evaluate the long term feasibility of the Development by creating a 30-year operating proforma. A three percent annual growth factor is utilized for income and a four percent annual growth factor is utilized for expenses. The base year projection utilized is the Underwriter's EGI, total expenses, and NOI unless the Applicant's EGI, total expenses, and NOI are each within five percent of the Underwriter's estimates and characterized as acceptable or reasonable in the Report. The DCR should remain above a 1.10 and a continued positive Cash Flow should be projected for the initial 30-year period in order for the Development to be characterized as feasible for the long term. Any Development where the amount of cumulative Cash Flow over the first fifteen years is insufficient to pay the projected amount of deferred developer fee amortized in irregular payments at zero percent interest is characterized as infeasible and will not be recommended for funding unless the Underwriter can determine a plausible alternative feasible financing structure and conditions the recommendation(s) in the Report accordingly.

(e) Development Costs. The Department's estimate of the Development's cost will be based on the Applicant's project cost schedule to the extent that it can be verified to a reasonable degree of certainty with documentation from the Applicant and tools available to the Underwriter. For new construction Developments, the Applicant's total cost estimate will be compared to the Underwriter's total cost estimate and where the difference in cost exceeds five percent of the Underwriter's estimate, the Underwriter shall substitute their own estimate for the Total Housing Development Cost to determine the Equity Gap Method and Eligible Basis Method where applicable. In the case of a rehabilitation Development, the Underwriter may use a lower tolerance level due to the reliance upon the Applicant's authorized Third Party cost assessment. Where the Applicant's costs are inconsistent with documentation provided in the Application, the Underwriter may adjust the Applicant's total cost estimate. The Department will create and utilize a feedback mechanism to communicate and allow for clarification by the Applicant before the Underwriter's total cost estimate is substituted for the Applicant's estimate.

(1) Acquisition Costs. The proposed acquisition price is verified with the fully executed site control document(s) for the entirety of the site.

(A) Excess Land Acquisition. Where more land is being acquired than will be utilized for the site and the remaining acreage is not being utilized as permanent green space, the value ascribed to the proposed Development will be prorated from the total cost reflected in the site control document(s). An appraisal or tax assessment value may be tools that are used in making this determination; however, the Underwriter will not utilize a prorated value greater than the total amount in the site control document(s).

(B) Identity of Interest Acquisitions. Where the seller or any principals of the seller is an Affiliate, Beneficial Owner, or Related Party to the Applicant, Developer, General Contractor, Housing Consultant, or persons receiving any portion of the Contractor or Developer Fees, the sale of the property will be considered to be an Identity of Interest transfer. In all such transactions the Applicant is required to provide the additional documentation identified in clauses (i) through (iv) of this subparagraph to support the transfer price and this information will be used by the Underwriter to make a transfer price determination.

(i) Documentation of the original acquisition cost, such as the settlement statement.

(ii) An appraisal that meets the Department's Appraisal Rules and Guidelines as described in §1.34 of this subchapter. In no instance will the acquisition value utilized by the Underwriter exceed the appraised value.

(iii) A copy of the current tax assessment value for the property.

(iv) Any other reasonably verifiable costs of owning, holding, or improving the property that when added to the value from clause (i) of this subparagraph justifies the Applicant's proposed acquisition amount.

(I) For land-only transactions, documentation of owning, holding or improving costs since the original acquisition date may include: property taxes; interest expense; a calculated return on equity at a rate consistent with the historical returns of similar risks; the cost of any physical improvements made to the property; the cost of rezoning, replatting, or developing the property; or any costs to provide or improve access to the property.

(II) For transactions which include existing buildings that will be rehabilitated or otherwise maintained as part of the property, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the property and the cost of

exit taxes not to exceed an amount necessary to allow the sellers to be indifferent to foreclosure or breakeven transfer.

(C) Non-Identity of Interest Acquisition of Buildings for Tax Credit Properties. In order to make a determination of the appropriate building acquisition value, the Applicant will provide and the Underwriter will utilize an appraisal that meets the Department's Appraisal Rules and Guidelines as described in §1.34 of this subchapter. The value of the improvements are the result of the difference between the as-is appraised value less the land value. Where the actual sales price is more than ten percent different than the appraised value, the Underwriter may alternatively prorate the actual sales price based upon the calculated improvement value over the as-is value provided in the appraisal, so long as the improved value utilized by the Underwriter does not exceed the total as-is appraised value of the entire property.

(2) Off-Site Costs. Off-Site costs are Development costs for work done outside of the actual Development site costs of Development up to the site itself such as the cost of roads, water, sewer and other utilities to provide the site with access. All off-site costs must be well documented and certified by a Third Party engineer as presented in the required application form to be included in the Underwriter's cost budget.

(3) Site Work Costs. If Project site work costs exceed \$7,500 per Unit, the Applicant must submit a detailed cost breakdown certified as being prepared by a Third Party engineer or architect, to be included in the Underwriter's cost budget. In addition, for applicantApplicants seeking Tax Credits, a letter from a certified public accountant properly allocating which portions of the engineer's or architect's site costs should be included in eligible basis and which ones are ineligible, in keeping with the holding of the Internal Revenue Service Technical Advice Memoranda, is required for such costs to be included in the Underwriter's cost budget.

(4) Direct Construction Costs. Direct construction costs are the costs of materials and labor required for the building or rehabilitation of a Development.

(A) New Construction. The Underwriter will use the "Average Quality" multiple or townhouse costs, as appropriate, from the *Marshall and Swift Residential Cost Handbook*, based upon the details provided in the application and particularly site and building plans and elevations. If the Development contains amenities not included in the Average Quality standard, the Department will take into account the costs of the amenities as designed in the Development. If the Development will contain single-family buildings, then the cost basis should be consistent with single-family Average Quality as defined by Marshall & Swift Residential Cost Handbook. Whenever the Applicant's estimate is more than five percent greater or less than the Underwriter's Marshall and Swift based estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report.

(B) Rehabilitation Costs. In the case where the Applicant has provided Third Party signed bids with a work write-up from contractors or estimates from certified or licensed professionals which are inconsistent with the Applicant's figures as proposed in the project cost schedule, the Underwriter utilizes the Third Party estimations in lieu of the Applicant's estimates even when the difference between the Underwriter's costs and the Applicant's costs is less than five percent. The underwriting staff will evaluate rehabilitation Developments for comprehensiveness of the Third Party work write-up and will determine if additional information is needed.

(5) Hard Cost Contingency. This is the only contingency figure considered by the Underwriter and is only considered in underwriting prior to final cost certification. Contingency is limited to a maximum of five percent (5%) of direct costs plus site work for new construction Developments and ten percent (10%) of direct costs plus site work for rehabilitation Developments. The Applicant's figure is used by the Underwriter if the figure is less than five percent (5%) or ten percent (10%), respectively.

(6) Contractor Fee Limits. Contractor fees are limited to six percent (6%) for general requirements, two percent (2%) for contractor overhead, and six percent (6%) for contractor profit. These fees are based upon the direct costs plus site work costs. Minor reallocations to make these fees fit within these limits may be made at the discretion of the Underwriter. For Developments also receiving financing from TxRD-USDA, the combination of builder's general requirements, builder's overhead, and builder's profit should not exceed the lower of TDHCA or TxRD-USDA requirements.

(7) Developer Fee Limits. For Tax Credit Developments, the Development cost associated with developer's fees cannot exceed fifteen percent (15%) of the project's Total Eligible Basis, as defined in §§49 and 50 of this title (adjusted for the reduction of federal grants, below market rate loans, historic credits, etc.), not inclusive of the developer fees themselves. The fee can be divided between overhead and

fee as desired but the sum of both items must not exceed the maximum limit. The Developer Fee may be earned on non-eligible basis activities, but only the maximum limit as a percentage of eligible basis items may be included in basis for the purpose of calculating a project's credit amount. Any non-eligible amount of developer fee claimed must be proportionate to the work for which it is earned. For non-Tax Credit Developments, the percentage remains the same but is based upon total Development costs less: the fee itself, land costs, the costs of permanent financing, excessive construction period financing described in paragraph (8) of this subsection, and reserves.

(8) Financing Costs. Eligible construction period financing is limited to not more than one year's worth of fully drawn construction loan funds at the construction loan interest rate indicated in the commitment. Any excess over this amount is removed to ineligible cost and will not be considered in the determination of developer fee.

(9) Reserves. The Department will utilize the terms proposed by the syndicator or lender as described in the commitment letter(s) or the amount described in the Applicant's projected cost schedule if it is within the range of ~~two~~ three to six months of stabilized operating expenses less management fees plus debt service.

(10) Other Soft Costs. For Tax Credit Developments all other soft costs are divided into eligible and ineligible costs. Eligible costs are defined by Internal Revenue Code but generally are costs that can be capitalized in the basis of the Development for tax purposes; whereas ineligible costs are those that tend to fund future operating activities. The Underwriter will evaluate and accept the allocation of these soft costs in accordance with the Department's prevailing interpretation of the Internal Revenue Code. If the Underwriter questions the eligibility of any soft costs, the Applicant is given an opportunity to clarify and address the concern prior to removal ~~form~~ from basis.

(f) Developer Capacity. The Underwriter will evaluate the capacity of the Person(s) accountable for the role of the Developer to determine their ability to secure financing and successfully complete the Development. The Department will review certification of previous participation, financial statements, and personal credit reports for those individuals anticipated to guarantee the completion of the Development.

(1) Previous Experience. The Underwriter will characterize the Development as "high risk" if the Developer has no previous experience in completing construction and reaching ~~stabilized~~ Sustaining Occupancy in a previous Development.

(2) Credit Reports. The Underwriter will characterize the Development as "high risk" if the Developer or principals thereof have a credit score which reflects a 40% or higher potential default rate.

(3) Financial Statements of Principals. The Applicant, Developer, any principals of the Applicant, General Partner, and Developer and any Person who will be required to guarantee the Development will be required to provide a signed and dated financial statement and authorization to release credit information. The financial statement for individuals may be provided on the Personal Financial and Credit Statement form provided by the Department and must not be older than 90 days from the first day of the Application Acceptance Period. If submitting partnership and corporate financials in addition to the individual statements, the certified annual financial statement or audited statement, if available, should be for the most recent fiscal year not more than twelve months from first date of the Application Acceptance Period. This document is required for an entity even if the entity is wholly-owned by a person who has submitted this document as an individual. For entities being formed for the purposes of facilitating the contemplated transaction but who have no meaningful financial statements at the present time, a letter attesting to this condition will suffice.

(A) Financial statements must be provided to the Underwriting Division at least seven days prior to the close of the application acceptance period in order for an acknowledgment of receipt to be provided as a substitute for inclusion of the statements themselves in the application. The Underwriting Division will FAX, e-mail or send via regular mail an acknowledgement for each financial statement received. The acknowledgement will not constitute acceptance by the Department that financial statements provided are acceptable in any manner but only acknowledge their receipt. Where time permits, the acknowledgement may identify the date of the statement and whether it will meet the time constraints under the QAP.

(B) The Underwriter will evaluate and discuss individual financial statements in a confidential portion of the Report. Where the financial statement indicates a limited net worth and/ or lack of significant liquidity and the Development is characterized as a high risk for either of the reasons described in paragraphs (1) and (2) of this subsection, the Underwriter must condition any potential award upon the

identification and inclusion of additional Development partners who can meet the criteria described in this subsection.

(g) Other Underwriting Considerations. The Underwriter will evaluate numerous additional elements as described in subsection (b) of this section and those that require further elaboration are identified in this subsection.

(1) Floodplains. The Underwriter evaluates the site plan ~~and~~ floodplain map, [local engineering studies provided through the Applicant](#), and [other](#) information provided to determine if any of the buildings, drives, or parking areas reside within the 100-year floodplain. If such a determination is made by the Underwriter [and the buildings' finished ground floor are not clearly engineered to be at least one foot above the floodplain and all drives and parking lots are not clearly engineered to be not lower than six inches below the floodplain](#), the Report will include a condition that the Applicant must pursue and receive a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F) or require the Applicant to identify the cost of flood insurance for the buildings and for the tenant's contents for buildings within the 100-year floodplain.

(2) Inclusive Capture Rate. The Underwriter will not recommend the approval of funds to new Developments requesting funds where the anticipated inclusive capture rate is in excess of 25% for the Primary Market unless the market is a rural market or the units are targeted toward the elderly. In rural markets and for Developments that are strictly targeted to the elderly, the Underwriter will not recommend the approval of funds to new housing Developments requesting funds from the Department where the anticipated capture rate is in excess of 100% of the qualified demand. Affordable Housing which replaces previously existing substandard Affordable Housing within the same Submarket on a Unit for Unit basis, and which gives the displaced tenants of the previously existing Affordable Housing a leasing preference, is excepted from these inclusive capture rate restrictions. The inclusive capture rate for the Development is defined as the sum of the proposed units for a given project plus any previously approved but not yet stabilized new Comparable Units in the Submarket divided by the total income-eligible targeted renter demand identified in the Market Analysis for a specific Development's Primary Market. The Department defines Comparable Units, in this instance, as units that are dedicated to the same household type as the proposed subject property using the classifications of family, elderly or transitional as housing types. The Department defines a stabilized project as one that has maintained a 90% occupancy level for at least 12 consecutive months. The Department will independently verify the number of affordable units included in the ~~market study~~[Market Study](#) and will ensure that all projects previously allocated funds through the Department are included in the final analysis. The documentation requirements needed to support decisions relating to this item are identified in §1.33 of this subchapter.

§1.33. Market Analysis Rules and Guidelines.

(a) General Provision. A Market Analysis prepared for the Department must evaluate the need for decent, safe, and sanitary housing at rental rates or sales prices that eligible tenants can afford. The analysis must determine the feasibility of the subject property rental rates or sales price and state conclusions as to the impact of the property with respect to the determined housing needs. Furthermore, the Market Analyst shall certify that they are a Third Party and are not being compensated for the assignment based upon a predetermined outcome.

(b) Self-Contained. A Market Analysis prepared for the Department must contain sufficient data and analysis to allow the reader to understand the market data presented, the analysis of the data, and the conclusion(s) derived from such data and its relationship to the subject property. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and the real estate market being analyzed. The analysis must clearly lead the reader to the same or similar conclusion(s) reached by the Market Analyst.

(c) Market Analyst Qualifications. A Market Analysis submitted to the Department must be prepared and certified by an approved Market Analyst. The Department will maintain an approved [market analyst\[Market Analyst\]\(#\) list based on the guidelines set forth in paragraphs \(1\) through \(3\) of this subsection.](#)

(1) Market analysts must submit subparagraphs (A) through (F) of this paragraph for review by the Department.

(A) A current organization chart or list reflecting all members of the firm who may author or sign the Market Analysis.

(B) General information regarding the firm's experience including references, the number of previous similar assignments and time frames in which previous assignments were completed.

(C) Resumes for all members of the firm who may author or sign the Market Analysis.

(D) Certification from an authorized representative of the firm that the services to be provided will conform to the Department's Market Analysis Rules and Guidelines described in this section.

(E) A sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines described in this section.

(F) Documentation of organization and good standing in the State of Texas.

(2) During the underwriting process each Market Analysis will be reviewed and any discrepancies with the rules and guidelines set forth in this section may be identified and require timely correction. Subsequent to the completion of the funding cycle and as time permits, staff and/or a review appraiser will re-review a sample set of submitted market analyses to ensure that the Department's Market Analysis Rules and Guidelines are met. If it is found that a Market Analyst has not conformed to the Department's Market Analysis Rules and Guidelines, as certified to, the Market Analyst will be notified of the discrepancies in the Market Analysis and will be removed from the approved ~~market analyst~~ Market Analyst list.

(A) Removal from the list of approved Market Analysts will not, in and of itself, invalidate a Market Analysis. A Market Analysis, completed by a Market Analyst who is removed from the approved Market Analyst list, may be valid if the Market Analysis was commissioned before the Market Analyst's removal from the list, and this removal occurred less than 90 days before the Department's due date for submission of Market Analyses. For purposes of this paragraph, the effective date of removal from the approved Market Analyst list is the first date in which the Department's web posting no longer reflects the Market Analyst as being an approved Market Analyst. ~~that has already been commissioned not more than 90 days before the Department's due date for submission as of the date the change in status of the Market Analyst is posted to the web.~~

(B) To be reinstated as an approved Market Analyst, the Market Analyst must submit a new sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines. This new study will then be reviewed for conformance with the rules of this section and if found to be in compliance, the Market Analyst will be reinstated.

(3) The list of approved Market Analysts is posted on the Department's web site and updated within 72 hours of a change in the status of a Market Analyst.

(d) Market Analysis Contents - Multifamily. A Market Analysis for a ~~multifamily~~ Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) through (17) of this subsection.

(1) Title Page. Include property address and/or location, housing type, TDHCA addressed as client, effective date of analysis, date of report, name and address of person authorizing report, and name and address of Market Analyst.

(2) Letter of Transmittal. Include date of letter, property address and/or location, description of property type, statement as to purpose of analysis, reference to accompanying Market Analysis, reference to all person(s) providing significant assistance in the preparation of analysis, statement from Market Analyst indicating any and all relationships to any member of the Development team and/or owner of the subject property, date of analysis, effective date of analysis, date of property inspection, name of person(s) inspecting subject property, and signatures of all Market Analysts authorized to work on the assignment.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Summary Form. Complete and include the TDHCA Primary Market Area Analysis Summary form. An electronic version of the form and instructions are available on the Department's website at <http://www.tdhca.state.tx.us/underwrite.html>.

(5) Assumptions and Limiting Conditions. Include a summary of all assumptions, both general and specific, made by the Market Analyst concerning the property.

(6) Disclosure of Competency. Include the Market Analyst's qualifications, detailing education and experience of all Market Analysts authorized to work on the assignment.

(7) Identification of the Property. Provide a statement to acquaint the reader with the Development. Such information includes street address, tax assessor's parcel number(s), and Development characteristics.

(8) Statement of Ownership for the Subject Property. Disclose the current owners of record and provide a three year history of ownership.

(9) Purpose of the Market Analysis. Provide a brief comment stating the purpose of the analysis.

(10) Scope of the Market Analysis. Address and summarize the sources used in the Market Analysis. Describe the process of collecting, confirming, and reporting the data used in the Market Analysis.

(11) Secondary Market Information. Include a general description of the geographic location and demographic data and analysis of the secondary market area if applicable. The secondary market area will be defined on a case-by-case basis by the Market Analyst engaged to provide the Market Analysis. Additional demand factors and comparable property information from the secondary market may be addressed. However, use of such information in conclusions regarding the subject property must be well-reasoned and documented. A map of the secondary market area with the subject property clearly identified should be provided. In a Market Analysis for a Development targeting families, the demand and supply effects from the secondary market are not significant. For a Development that targets smaller subgroups such as elderly households, the demand and supply effects may be more relevant.

(12) Primary Market Information. Include a specific description of the subject's geographical location, specific demographic data, and an analysis of the Primary Market Area. The Primary Market Area will be defined on a case-by-case basis by the Market Analyst engaged to provide the Market Analysis. The Department encourages a conservative Primary Market Area delineation with use of natural political/geographical boundaries whenever possible. Furthermore, the Primary Market for a Development chosen by the Market Analyst will generally be most informative if it contains no more than 250,000 persons, though a Primary Market with more residents may be indicated by the Market Analyst, where political/geographic boundaries indicate doing so, with additional supportive narrative. A summary of the neighborhood trends, future Development, and economic viability of the specific area must be addressed with particular emphasis given to Affordable Housing. A map of the Primary Market with the subject property clearly identified must be provided. A separate scaled distance map of the Primary Market that clearly identifies the subject and the Local Amenities must also be included.

(13) Comparable Property Analysis. Provide a comprehensive evaluation of the existing supply of comparable properties in the Primary Market Area defined by the Market Analyst. The analysis should include census data documenting the amount and condition of local housing stock as well as information on building permits since the census data was collected. The analysis must separately evaluate existing market rate housing and existing subsidized housing to include local housing authority units and any and all other rent- or income-restricted units with respect to items discussed in subparagraphs (A) through (F) of this paragraph.

(A) Analyze comparable property rental rates. Include a separate attribute adjustment matrix for the most comparable market rate and subsidized units to the units proposed in the subject, a minimum of three Developments each. The Department recommends use of HUD Form 922273. Analysis of the Market Rents must be sufficiently detailed to permit the reader to understand the Market Analyst's logic and rationale. Total adjustments made to the Comparable Units in excess of 15% suggest a weak comparable. Total adjustments in excess of 15% must be supported with additional narrative. The Department also encourages close examination of the overall use of concessions in the Primary Market Area and the effect on effective Market Rents.

(B) Provide an Affordability Analysis of the comparable unrestricted units.

(C) Analyze occupancy rates of each of the comparable properties and occupancy trends by property class. Physical occupancy should be compared to economic occupancy.

(D) Provide annual turnover rates of each of the comparable properties and turnover trends by property class.

(E) Provide absorption rates for each of the comparable properties and absorption trends by property class.

(F) The comparable Developments must indicate current research for the proposed property type. The rental data must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The minimum content of the individual data sheets include: property address, lease terms, occupancy, turnover, Development characteristics, current physical condition of the property, etc. A scaled distance map of the Primary Market that clearly identifies the subject Development and existing comparable market rate Developments and all existing/proposed subsidized Developments must be provided.

(14) Demand Analysis. Provide a comprehensive evaluation of the demand for the proposed housing. The analysis must include an analysis of the need for market rate and Affordable Housing within the subject Development's Primary Market Area using the most current census and demographic data

available. The demand for housing must be quantified, well reasoned, and segmented to include only relevant income- and age-eligible targets of the subject Development. Each demand segment should be addressed independently and overlapping segments should be minimized and clearly identified when required. In instances where more than 20% of the proposed units are comprised of three- and four-bedroom units, the analysis should be refined by factoring in the number of large households to avoid overestimating demand. The final quantified demand calculation may include demand due to items in subparagraphs (A) through (C) of this paragraph.

(A) Quantify new household demand due to documented population and household growth trends for targeted income-eligible renter households OR confirmed targeted income-eligible renter household growth due to new employment growth.

(B) Quantify existing household demand due to documented turnover of existing targeted income-eligible renter households OR documented rent over-burdened targeted income-eligible renter households that would not be rent over-burdened in the proposed Development and documented targeted income-eligible renter households living in substandard housing.

(C) Include other well reasoned and documented sources of demand determined by the Market Analyst.

(15) Conclusions. Include a comprehensive evaluation of the subject property, separately addressing each housing type and specific population to be served by the Development in terms of items in subparagraphs (A) through (F) of this paragraph.

(A) Provide a separate market and ~~subsidized-restricted~~ rental rate conclusion for each proposed unit type and rental restriction category. Conclusions of rental rates below the maximum net rent limit rents must be well reasoned, documented, consistent with the market data, and address any inconsistencies with the conclusions of the demand for the subject units.

(B) Provide rental income, secondary income, and vacancy and collection loss projections for the subject derived independent of the ~~applicant~~Applicant's estimates, but based on historic and/or well established data sources of comparable properties.

(C) Correlate and quantify secondary market and Primary Market demographics of housing demand to the current and proposed supply of housing and the need for each proposed unit type and the subject Development as a whole. The subject Development specific demand calculation may consider total demand from the date of application to the proposed place in service date.

(D) Calculate an inclusive capture rate for the subject Development defined as the sum of the proposed subject units plus any comparable units in previously approved new, but unstabilized ~~Developments~~new Comparable Units in the Primary Market, divided by the total income-eligible targeted renter demand identified by the Market Analysis for the subject Development's Primary Market Area. The Market Analyst should calculate a separate inclusive capture rate for the subject Development's proposed affordable units, ~~and~~ market rate units, ~~and as well as~~ the subject Development as a whole.

(E) Project an absorption period and rate for the subject until a Sustaining Occupancy level has been achieved. If absorption projections for the subject differ significantly from historic data, an explanation of such should be included.

(F) Analyze the effects of the subject Development on the Primary Market occupancy rates and provide sufficient support documentation.

(16) Photographs. Include good quality color photographs of the subject property (front, rear and side elevations, on-site amenities, interior of typical units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should also be included. An aerial photograph is desirable but not mandatory.

(17) Appendices. Any Third Party reports relied upon by the Market Analyst must be provided in appendix form and verified directly by the Market Analyst as to its validity.

(e) Market Analysis Contents - Single Family~~Developments~~.

(1) Market studies for single-family Developments proposed as rental Developments must contain the elements set forth in subsections (d)(1) through (17) of this section. Market analyses for Developments proposed for single-family home ownership must contain the elements set forth in subsections (d)(1) through (17) of this section as they would apply to home ownership in addition to paragraphs (2) through (4) of this subsection.

(2) Include no less than three actual market transactions to inform the reader of current market conditions for the sale of each unit type in the price range contemplated for homes in the proposed Development. The comparables must rely on current research for this specific property type. The sales

prices must be confirmed with the buyer, seller, or real estate agent and individual data sheets must be included. The minimum content of the individual data sheets should include property address, Development characteristics, purchase price and terms, description of any federal, state, or local affordability subsidy associated with the transaction, date of sale, and length of time on the market.

(3) Analysis of the comparable sales should be sufficiently detailed to permit the reader to understand the Market Analyst's logic and rationale. The evaluation should address the appropriateness of the living area, room count, market demand for Affordable Housing, targeted sales price range, demand for interior and/or exterior amenities, etc. A scaled distance map of the Primary Market that clearly identifies the subject Development and existing comparable single family homes must be provided.

(4) A written statement is required stating if the projected sales prices for homes in the proposed Development are, or are not, below the range for comparable homes within the Primary Market Area. Sufficient documentation should be included to support the Market Analyst's conclusion with regard to the Development's absorption.

(f) The Department reserves the right to require the Market Analyst to address such other issues as may be relevant to the Department's evaluation of the need for the subject property and the provisions of the particular program guidelines.

(g) All ~~applicant~~ Applicants shall acknowledge, by virtue of filing an application, that the Department shall not be bound by any such opinion or Market Analysis, and may substitute its own analysis and underwriting conclusions for those submitted by the Market Analyst

§1.34. Appraisal Rules and Guidelines.

(a) General Provisions. Appraisals prepared for the Department must conform to the Uniform Standards of Professional Appraisal Practice (USPAP) as adopted by the Appraisal Standards Board of the Appraisal Foundation. Self-contained reports must describe sufficient and adequate data and analyses to support the final opinion of value. The final value(s) must be reasonable, based on the information included. Any Third Party reports relied upon by the appraiser must be verified by the appraiser as to the validity of the data and the conclusions. The report must contain sufficient data, included in the appendix when possible, and analysis to allow the reader to understand the property being appraised, the market data presented, analysis of the data, and the appraiser's value conclusion. The complexity of this requirement will vary in direct proportion with the complexity of the real estate and real estate interest being appraised. The report should lead the reader to the same or similar conclusion(s) reached by the appraiser.

(b) Value Estimates. All appraisals shall contain a separate estimate of land value, based upon sales comparables. Appraisal assignments for new construction, which are required to provide a future value of to be completed structures, shall provide an "as restricted with favorable financing" value as well as an "unrestricted market" value. Properties to be rehabilitated shall address the "as restricted with favorable financing" value as well as both an "as is" value and an "as completed" value. Include a separate assessment of personal property, furniture, fixtures, and equipment (FF&E) and/or intangible items because their economic life may be shorter than the real estate improvements and may require different lending or underwriting considerations. If personal property, FF&E, or intangible items are not part of the transaction or value estimate, a statement to such effect should be included.

(c) Date of Appraisal. The appraisal report must be dated and signed by the appraiser who inspected the property. The date of the valuation, except in the case of proposed construction or extensive rehabilitation, must be a current date. The date of valuation should not be more than six months prior to the date of the application to the Department.

(d) Appraiser Qualifications. The qualifications of each appraiser are determined and approved on a case-by-case basis by the Director of Credit Underwriting and/or review appraiser, based upon the quality of the report itself and the experience and educational background of the appraiser, as set forth in the Statement of Qualifications appended to the appraisal. At minimum, a qualified appraiser will be certified or licensed by the Texas Appraiser Licensing and Certification Board.

(e) Appraisal Contents. An appraisal of a Development prepared for the Department must be organized in a format that follows a logical progression and must include, at minimum, items addressed in paragraphs (1) through (18) of this subsection.

(1) Title Page. Include identification as to appraisal (e.g., type of process - complete or limited, type of report - self-contained, summary or restricted), property address and/or location, housing type, the

Department addressed as the client, effective date of value estimate(s), date of report, name and address of person authorizing report, and name and address of appraiser(s).

(2) Letter of Transmittal. Include date of letter, property address and/or location, description of property type, extraordinary/special assumptions or limiting conditions that were approved by person authorizing the assignment, statement as to function of the report, statement of property interest being appraised, statement as to appraisal process (complete or limited), statement as to reporting option (self-contained, summary or restricted), reference to accompanying appraisal report, reference to all person(s) that provided significant assistance in the preparation of the report, date of report, effective date of appraisal, date of property inspection, name of person(s) inspecting the property, identification of type(s) of value(s) estimated (e.g., market value, leased fee value, as-financed value, etc.), estimate of marketing period, signatures of all appraisers authorized to work on the assignment.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Assumptions and Limiting Conditions. Include a summary of all assumptions, both general and specific, made by the appraiser(s) concerning the property being appraised. Statements may be similar to those recommended by the Appraisal Institute.

(5) Certificate of Value. This section may be combined with the letter of transmittal and/or final value estimate. Include statements similar to those contained in Standard Rule 2-3 of USPAP.

(6) Disclosure of Competency. Include appraiser's qualifications, detailing education and experience, as discussed in subsection (c) of this section.

(7) Identification of the Property. Provide a statement to acquaint the reader with the property. Real estate being appraised must be fully identified and described by street address, tax assessor's parcel number(s), and Development characteristics. Include a full, complete, legible, and concise legal description.

(8) Statement of Ownership of the Subject Property. Discuss all prior sales of the subject property which occurred within the past three years. Any pending agreements of sale, options to buy, or listing of the subject property must be disclosed in the appraisal report.

(9) Purpose and Function of the Appraisal. Provide a brief comment stating the purpose of the appraisal and a statement citing the function of the report.

(A) Property Rights Appraised. Include a statement as to the property rights (e.g., fee simple interest, leased fee interest, leasehold, etc.) being considered. The appropriate interest must be defined in terms of current appraisal terminology with the source cited.

(B) Definition of Value Premise. One or more types of value (e.g., "as is", "as if", "prospective market value") may be required. Definitions corresponding to the appropriate value must be included with the source cited.

(10) Scope of the Appraisal. Address and summarize the methods and sources used in the valuation process. Describes the process of collecting, confirming, and reporting the data used in the assignment.

(11) Regional Area Data. Provide a general description of the geographic location and demographic data and analysis of the regional area. A map of the regional area with the subject identified is requested, but not required.

(12) Neighborhood Data. Provide a specific description of the subject's geographical location and specific demographic data and an analysis of the neighborhood. A summary of the neighborhood trends, future Development, and economic viability of the specific area should be addressed. A map with the neighborhood boundaries and the subject identified must be included.

(13) Site/Improvement Description. Discuss the site characteristics including subparagraphs (A) through (F) of this paragraph.

(A) Physical Site Characteristics. Describe dimensions, size (square footage, acreage, etc.), shape, topography, corner influence, frontage, access, ingress-egress, etc. associated with the site. Include a plat map and/or survey.

(B) Floodplain. Discuss floodplain (including flood map panel number) and include a floodplain map with the subject clearly identified.

(C) Zoning. Report the current zoning and description of the zoning restrictions and/or deed restrictions, where applicable, and type of Development permitted. Any probability of change in zoning should be discussed. A statement as to whether or not the improvements conform to the current zoning should be included. A statement addressing whether or not the improvements could be rebuilt if damaged or destroyed, should be included. If current zoning is not consistent with the Highest and Best Use, and

zoning changes are reasonable to expect, time and expense associated with the proposed zoning change should be considered and documented. A zoning map should be included.

(D) Description of Improvements. Provide a thorough description and analysis of the improvements including size (net rentable area, gross building area, etc.), number of stories, number of buildings, type/quality of construction, condition, actual age, effective age, exterior and interior amenities, items of deferred maintenance, etc. All applicable forms of depreciation should be addressed along with the remaining economic life.

(E) Fair Housing. It is recognized appraisers are not an expert in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential violations of the Fair Housing Act of 1988, Section 504 of the Rehabilitation Act of 1973, and the Americans with Disabilities Act of 1990 and/or report any accommodations (e.g., wheelchair ramps, handicap parking spaces, etc.) which have been performed to the property or may need to be performed.

(F) Environmental Hazards. It is recognized appraisers are not an expert in such matters and the impact of such deficiencies may not be quantified; however, the report should disclose any potential environmental hazards (e.g., discolored vegetation, oil residue, asbestos-containing materials, lead-based paint etc.) noted during the inspection.

(14) Highest and Best Use. Market Analysis and feasibility study is required as part of the highest and best use. The highest and best use analysis should consider subsection (d)(13)(A) through (F) of this section as well as a supply and demand analysis.

(A) The appraisal must inform the reader of any positive or negative market trends which could influence the value of the appraised property. Detailed data must be included to support the appraiser's estimate of stabilized income, absorption, and occupancy.

(B) The highest and best use section must contain a separate analysis "as if vacant" and "as improved" (or "as proposed to be improved/renovated"). All four elements in appropriate order as outlined in the Appraisal of Real Estate (legally permissible, physically possible, feasible, and maximally productive) must be sequentially considered.

(15) Appraisal Process. The Cost Approach, Sales Comparison Approach and Income Approach are three recognized appraisal approaches to valuing most properties. It is mandatory that all three approaches are considered in valuing the property unless specifically instructed by the Department to ignore one or more of the approaches; or unless reasonable appraisers would agree that use of an approach is not applicable. If an approach is not applicable to a particular property, then omission of such approach must be fully and adequately explained.

(A) Cost Approach. This approach should give a clear and concise estimate of the cost to construct the subject improvements. The type of cost (reproduction or replacement) and source(s) of the cost data should be reported.

(i) Cost comparables are desirable; however, alternative cost information may be obtained from Marshall & Swift Valuation Service or similar publications. The section, class, page, etc. should be referenced. All soft costs and entrepreneurial profit must be addressed and documented.

(ii) All applicable forms of depreciation must be discussed and analyzed. Such discussion must be consistent with the description of the improvements analysis.

(iii) The land value estimate should include a sufficient number of sales which are current, comparable, and similar to the subject in terms of highest and best use. Comparable sales information should include address, legal description, tax assessor's parcel number(s), sales price, date of sale, grantor, grantee, three year sales history, and adequate description of property transferred. The final value estimate should fall within the adjusted and unadjusted value ranges. Consideration and appropriate cash equivalent adjustments to the comparable sales price for subclauses (I) through (VII) of this clause should be made when applicable.

(I) Property rights conveyed.

(II) Financing terms.

(III) Conditions of sale.

(IV) Location.

(V) Highest and best use.

(VI) Physical characteristics (e.g., topography, size, shape, etc.).

(VII) Other characteristics (e.g., existing/proposed entitlements, special assessments, etc.).

(B) Sales Comparison Approach. This section should contain an adequate number of sales to provide the reader with the current market conditions concerning this property type. Sales data should be recent and specific for the property type being appraised. The sales must be confirmed with buyer, seller, or an individual knowledgeable of the transaction.

(i) Minimum content of the sales should include address, legal description, tax assessor's parcel number(s), sale price, financing considerations, and adjustment for cash equivalency, date of sale, recordation of the instrument, parties to the transaction, three year sale history, complete description of the property and property rights conveyed, and discussion of marketing time. A scaled distance map clearly identifying the subject and the comparable sales must be included.

(ii) Several methods may be utilized in the Sale Comparison Approach. The method(s) used must be reflective of actual market activity and market participants.

(I) Sale Price/Unit of Comparison. The analysis of the sale comparables must identify, relate and evaluate the individual adjustments applicable for property rights, terms of sale, conditions of sale, market conditions and physical features. Sufficient narrative analysis must be included to permit the reader to understand the direction and magnitude of the individual adjustments, as well as a unit of comparison value indicator for each comparable. The appraiser(s) reasoning and thought process must be explained.

(II) Potential Gross Income/Effective Gross Income Analysis. If used in the report, this method of analysis must clearly indicate the income statistics for the comparables. Consistency in the method for which such economically statistical data was derived should be applied throughout the analysis. At least one other method should accompany this method of analysis.

(III) NOI/Unit of Comparison. If used in the report, the net income statistics for the comparables ~~for~~ must be calculated in the same manner and disclosed as such. It should be disclosed if reserves for replacement have been included in this method of analysis. At least one other method should accompany this method of analysis.

(C) Income Approach. This section is to contain an analysis of both the actual historical and projected income and expense aspects of the subject property.

(i) Market Rent Estimate/Comparable Rental Analysis. This section of the report should include an adequate number of actual market transactions to inform the reader of current market conditions concerning rental units. The comparables must indicate current research for this specific property type. The rental comparables must be confirmed with the landlord, tenant or agent and individual data sheets must be included. The minimum content of the individual data sheets should include property address, lease terms, description of the property (e.g., unit type, unit size, unit mix, interior amenities, exterior amenities, etc.), physical characteristics of the property, and location of the comparables. Analysis of the Market Rents should be sufficiently detailed to permit the reader to understand the appraiser's logic and rationale. Adjustment for lease rights, condition of the lease, location, physical characteristics of the property, etc. must be considered.

(ii) Comparison of Market Rent to Contract Rent. Actual income for the subject along with the owner's current budget projections must be reported, summarized and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. The contract rents should be compared to the market-derived rents. A determination should be made as to whether the contract rents are below, equal to, or in excess of market rates. If there is a difference, its impact on value must be qualified.

(iii) Vacancy/Collection Loss. Historical occupancy data for the subject should be reported and compared to occupancy data from the rental comparable and overall occupancy data for the subject's ~~market area~~ [Primary Market](#).

(iv) Expense Analysis. Actual expenses for the subject, along with the owner's projected budget, must be reported, summarized, and analyzed. If such data is unavailable, a statement to this effect is required and appropriate assumptions and limiting conditions should be made. Historical expenses should be compared to comparables expenses of similar property types or published survey data (e.g., IREM, BOMA, etc.). Any expense differences should be reconciled. Historical data regarding the subject's assessment and tax rates should be included. A statement as to whether or not any delinquent taxes exist should be included.

(v) Capitalization. Several capitalization methods may be utilized in the Income Approach. The appraiser should present the method(s) reflective of the subject market and explain the omission of any method not considered in the report.

(I) Direct Capitalization. The primary method of deriving an overall rate (OAR) is through market extraction. If a band of investment or mortgage equity technique is utilized, the assumptions must be fully disclosed and discussed.

(II) Yield Capitalization (Discounted Cash Flow Analysis). This method of analysis should include a detailed and supportive discussion of the projected holding/investment period, income and income growth projections, occupancy projections, expense and expense growth projections, reversionary value and support for the discount rate.

(16) Reconciliation and Final Value Estimate. This section of the report should summarize the approaches and values that were utilized in the appraisal. An explanation should be included for any approach which was not included. Such explanations should lead the reader to the same or similar conclusion of value. Although the values for each approach may not "agree", the differences in values should be analyzed and discussed. Other values or interests appraised should be clearly labeled and segregated. Such values may include FF&E, leasehold interest, excess land, etc. In addition, rent restrictions, subsidies and incentives should be explained in the appraisal report and their impact, if any, needs to be reported in conformity with the Comment section of USPAP Standards Rule 1-2(e), which states, "Separation of such items is required when they are significant to the overall value." In the appraisal of subsidized housing, value conclusions that include the intangibles arising from the programs will also have to be analyzed under a scenario without the intangibles in order to measure their influence on value.

(17) Marketing Period. Given property characteristics and current market conditions, the appraiser(s) should employ a reasonable marketing period. The report should detail existing market conditions and assumptions considered relevant.

(18) Photographs. Provide good quality color photographs of the subject property (front, rear, and side elevations, on-site amenities, interior of typical units if available). Photographs should be properly labeled. Photographs of the neighborhood, street scenes, and comparables should be included. An aerial photograph is desirable but not mandatory.

(f) Additional Appraisal Concerns. The appraiser(s) must recognize and be aware of the particular TDHCA program rules and guidelines and their relationship to the subject's value. Due to the various programs offered by the Department, various conditions may be placed on the subject which would impact value. Furthermore, each program may require that the appraiser apply a different set of specific definitions for the conclusions of value to be provided. Consequently, as a result of such criteria, the appraiser(s) should be aware of such conditions and definitions and clearly identify them in the report.

§1.35. Environmental Site Assessment Rules and Guidelines

(a) Environmental Site Assessment Guidelines. The environmental assessment required under Section 50.7(e) of this title should be conducted and reported in conformity with the standards of the American Society for Testing and Materials (ASTM) and such other recognized industry standards as a reasonable person would deem relevant in view of the Property's anticipated use for human habitation. The environmental assessment shall be conducted by an environmental or professional engineer and be prepared at the expense of the Development Owner.

(1) The report must include, but is not limited to:

(A) A review of records, interviews with people knowledgeable about the property;

(B) A certification that the environmental engineer has conducted an inspection of the property, the building(s), and adjoining properties, as well as any other industry standards concerning the preparation of this type of environmental assessment;

~~(C) A noise study is recommended for property located adjacent to or in close proximity to industrial zones, major highways, active rail lines, and civil and military airfields;~~

~~(D)~~ A copy of a current survey, ~~if available~~, or other drawing of the site reflecting the boundaries and adjacent streets, all improvements on the site, and any items of concern described in the body of the environmental site assessment or identified during the physical inspection;

~~(E)~~ A copy of the current FEMA Flood Insurance Rate Map showing the panel number and encompassing the site with the site boundaries precisely identified and superimposed on the map. A determination of the flood risk for the proposed Development described in the narrative of the report includes a discussion of the impact of the 100-year floodplain on the proposed Development based upon a review of the current site plan; and

~~(F)~~ ~~The report should include a~~ statement that clearly states that the person or company preparing the environmental assessment will not materially benefit from the Development in any other way than receiving a fee for the environmental assessment; ~~and.~~

(2) A noise study is recommended for property located adjacent to or in close proximity to industrial zones, major highways, active rail lines, and civil and military airfields.

~~(23)~~ If the report recommends further studies or establishes that environmental hazards currently exist on the Property, or are originating off-site but would nonetheless affect the Property, the Development Owner must act on such a recommendation or provide a plan for either the abatement or elimination of the hazard. Evidence of action or a plan for the abatement or elimination of the hazard must be presented upon Application submittal.

~~(34)~~ For Developments which have had a Phase II Environmental Assessment performed and hazards identified, the Development Owner is required to maintain a copy of said assessment on site available for review by all persons which either occupy the Development or are applying for tenancy.

~~(45)~~ Developments whose funds have been obligated by TxRD will not be required to supply this information; however, the Development Owners of such Developments are hereby notified that it is their responsibility to ensure that the Development is maintained in compliance with all state and federal environmental hazard requirements.

~~(56)~~ Those Developments which have or are to receive first lien financing from HUD may submit HUD's environmental assessment report, provided that it conforms with the requirements of this subsection.

AGENDA ITEM 4(b)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

APPROVAL TO AWARD AN ADDITIONAL \$13,000 IN PROJECT FUNDS FROM THE HOME PROGRAM TO FUND TWO OWNER OCCUPIED REHABILITATION PROJECTS WHICH EXCEEDED THE ORIGINAL CONTRACT AMOUNT

Background

Donley County under HOME contract# 531107 is requesting an additional \$13,000 in project funds to fund two owner occupied rehabilitation projects which exceeded the original contract amount of \$41,600.00. This is a disaster relief contract. Since this amount exceeds 25% of the original budget, board action is required.

Recommendation

Staff is asking the Board to approve the additional \$13,000 in project funds for Donley County. The revised contract total is \$54,500.00.

**Texas Department of Housing and Community Affairs
HOME Investment Partnerships Program**

Request for Amendment of HOME Contract / Commitment #531107

Administrator / Borrower: Donley County

Regional Coordinator: Dolores Jones

ACTION: Amendment to Amendment to Loan Modification to Amendment to OTHER
 HOME Contract Commitment Promissory Note LURA

ADMINISTRATOR'S REQUEST

- Donley County requests approval of a budget increase in the amount of Thirteen Thousand Dollars (\$13,000) to HOME Contract #531107 for monies awarded in 2001. The new contract budget amount total requested will be Fifty Four Thousand Six Hundred Dollars (\$54,600).

RECOMMENDATION

- Increase Donley County's Total Project Budget to Fifty-Three Thousand Dollars (\$53,000). With the existing administrative budget of (\$1,600) unchanged, the total for the proposed budget will be Fifty Four Thousand and Six Hundred Dollars (\$54,600). This will allow Contract Administrator enough monies to cover the expense of lead-based paint inspection, removal and the repairing the homes already under contract. No new projects will be committed and no new activity is expected.
- **This amendment requires Board approval. Pursuant to HOME Rule §53.62, amendment exceeds the original contract amount approved by the Board by more than 25% of original award.**

BACKGROUND

- The cost of eliminating the lead-based paint items exceeded the amount of money estimated for the inspection, removal, repair and/or replacement of items noted for the two (2) homes under contract. The only alternative available to the Contract Administrator would be to disregard the removal and/or replacement of items determined to contain lead-based paint. The Contract Administrator was twice unsuccessful in their attempt to solicit Request for Bids (RFB) that not only would stay within the original budget amount awarded but also meet mandatory Texas Minimum Construction Standards. By awarding the requested budget increase, the State will continue to meet its obligation to improve the quality of life with decent and safe housing.
- Donley County is receiving administrative assistance from the Panhandle Regional Planning Commission. Chris Sharp is the contact and can be reached at (806) 373-3268.

CONTRACT INFORMATION

Amendment #:	1	Program:	<input type="checkbox"/> HBA <input type="checkbox"/> TBRA <input checked="" type="checkbox"/> OCC		CHDO:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Effective Date:	11/30/2001	Expiration Date:	03/31//2003			
Required HOME Units:	2	Units Set-Up:	2	Units Complete:	0	

LOAN INFORMATION

Amendment #:		Program:	<input type="checkbox"/> RHD <input type="checkbox"/> HOD <input type="checkbox"/> INT		CHDO:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Effective Date:		<input type="checkbox"/> Close by Date <input type="checkbox"/> Maturity Date:				
Required HOME Units:	2	Units Set-Up:	2	Units Complete:	0	
Type of Activity:	<input type="checkbox"/> New Construction		<input type="checkbox"/> Acquisition		<input checked="" type="checkbox"/> Rehabilitation	<input type="checkbox"/> OTHER
Loan Phase:	<input type="checkbox"/> Not closed		<input type="checkbox"/> Construction Phase		<input type="checkbox"/> Permanent Phase	

Loan Amount:		Grant Amount: (if applicable)	\$
Interest Rate:		Loan Term:	

**BUDGET INFORMATION
(BEFORE this Proposed Amendment)**

Category of Funds	Budget (before)	Committed	Disbursed	Balance (before)
Fed Project \$:	\$ 40,000.00	\$36,400.00	\$0	\$36,400.00
Fed Admin \$:	\$1,600.00	\$0	\$0	\$1,600.00
State GR \$:	\$0	\$0	\$0	\$0
Program Income:	\$0	\$0	\$0	\$0
Totals:	\$ 41,600.00	\$36,400.00	\$0	\$41,600.00

CONTRACT BUDGET

(AFTER Amendment # 1)

Category of Funds	Budget (after)	Committed	Disbursed	Balance (after)
Fed Project \$:	\$53,000.00	\$36,400.00	\$0	\$53,000.00
Fed Admin \$:	\$1,600.00	\$0	\$0	\$1,600.00
State GR \$:	\$0	\$0	\$0	\$0
Program Income:	\$0	\$0	\$0	\$0
Totals:	\$54,600.00	\$36,400.00	\$0	\$54,600.00

Approval of the 2003 TDHCA Regional Allocation Formulae

Background

In 1999, the 76th Legislature enacted Senate Bill 1112 (§2306.111, Government Code), which required TDHCA to develop and use a formula to regionally allocate its HOME Program, Housing Trust Fund, and Low Income Housing Tax Credit Program funding. Each year, the formula is to be taken out for public comment, with the final version to be published in the State of Texas Low Income Housing Plan and Annual Report.

Current Formula

Because HOME, HTF, and LIHTC program funds can be used for different activities (and HOME has unique geographical eligibility requirements) separate formulae have been developed to allocate the funding based the funding source's allowable activities.

Need Factors

The affordable housing need indicators for **LIHTC and HTF** programs (programs primarily fund multifamily development activities) are:

- **Severe housing cost burden on very low-income renters.** The percentage of Texas' unassisted renters with incomes below 50 percent of the area median income, who pay more than half of their income for housing costs;
- **Substandard and dilapidated housing stock occupied by very low-income renters.** The percentage of Texas' households renters with incomes below 50 percent of the area median income that live in severely substandard housing;
- **Renter Overcrowding.** The percentage of Texas' renter households with incomes below 50 percent that live in overcrowded housing;
- **Poverty.** The percentage of Texas' population living in poverty as estimated by the Texas Department of Health and Human Services.

The affordable housing need indicators for the **HOME** program (program funds a combination of multifamily development, tenant base rental assistance, single family homebuyer assistance and owner occupied rehabilitation activities) are:

- **Severe housing cost burden on very low-income owners.** The percentage of Texas' unassisted owners with incomes below 50 percent of the area median income, who pay more than half of their income for housing costs;
- **Substandard and dilapidated housing stock occupied by very low-income owners.** The percentage of Texas' households (renter and owner) with incomes below 50 percent of the area median income that live in severely substandard housing;
- **Owner Overcrowding.** The percentage of Texas' households owner with incomes below 50 percent that live in overcrowded housing;
- **Poverty.** The percentage of Texas' population living in poverty as estimated by the Texas Department of Health and Human Services.

Because the population size the need factors varies significantly (i.e. poverty is measured in millions of persons and substandard housing in tens of thousands), the AHNI are weighted in a manner that reflects the relative size of the population they represent. The need factor percentages are weighted as follows:

- poverty = 50%
- extreme cost burden = 30%
- substandard housing = 5%
- overcrowding = 15%.

Please note that each formula takes into account the demographics of the persons within the service area of the program. LIHTC and HTF allocations are statewide, thus they take into account the State's entire population for

need factors. Because 95% of HOME funds must be expended in non participating jurisdictions, only non participating jurisdiction demographics are included in the calculation of the HOME formula.

Consideration of Other Funding Sources

As required by SB 322 of the 77th Legislature, the redistribution formulas must consider available funding in the region from state and federal sources. This is done using an adjustment factor that considers the following funding sources.

LIHTC and HTF

Section 8 Tenant-Based Rental Assistance distributed by TDHCA
Multifamily Tax Exempt Bond Financing allocated by the Texas Bond Review Board
Four percent Low Income Housing Tax Credits associated with Tax-Exempt Bond Financing
HOME Funds allocated by participating jurisdictions
Housing for Persons with AIDS allocated by participating jurisdictions
Emergency Shelter Grant Funds (ESG) allocated by TDHCA and participating jurisdictions
USDA Tenant-Based Rental Assistance
USDA Multifamily Development Funding

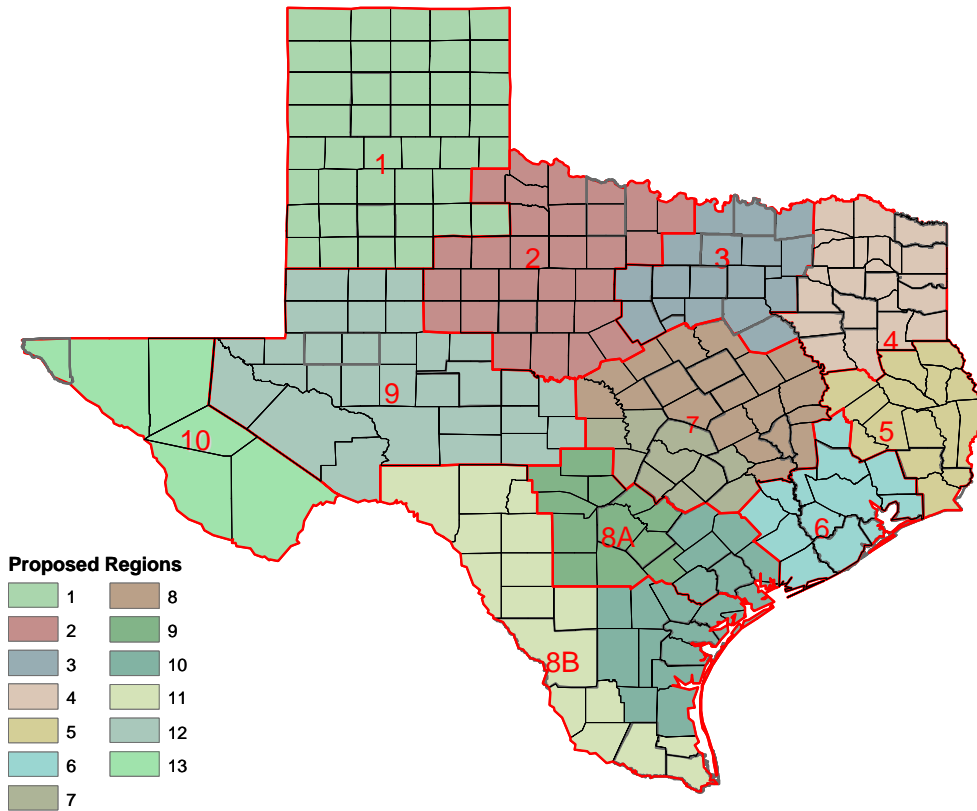
HOME

Single Family Bond based loans distributed by TDHCA and Housing Finance Corporations in non-participating jurisdictions
USDA Single Family 502 and 504 loans and grants
Section 8 Tenant-Based Rental Assistance distributed by TDHCA
USDA Tenant-Based Rental Assistance
USDA Multifamily Development Funding
ESG (TDHCA) in non-participating jurisdictions

Proposed Changes from the 2002 regional Allocation Formula

- Adopt a new 13 region state planning map. For the 2001 and 2002 RAF, TDHCA used the Texas Comptroller of Public Accounts' Uniform State Service Regions for its planning purposes. In 2002, the Comptroller modified the county groupings to create 13 regions from the previous ten. The new configuration is intended to better identify the unique characteristics of the border counties and treats larger metropolitan areas as distinct regions. Because this change is consistent with TDHCA's efforts to allocate funds based on specific regional needs and demographic characteristics, the decision was made to adopt these new regions for the 2003 RAF. (See Figure 2A for a map of the new regions.)
- with the exception of poverty, use only rental U.S. Census data indicators for multifamily rental funding sources (LIHTC and HTF);
- modify the AHNI's weights to more accurately reflect their respective population size;
- in the calculation of "other funding" ensure that only like/appropriate funding sources are considered (i.e. multifamily "other funding" for multifamily program formula);
- include two other types of HUD funding, HOPWA and ESG, as their funded activities are similar in nature to transitional housing activities funded by the LIHTC and HTF programs.

Figure 2A



Regional Allocation Percentages

State Service Region	HOME	HTF and LIHTC
1	4.0%	5.2%
2	2.9%	3.1%
3	11.9%	13.0%
4	7.6%	5.8%
5	9.5%	4.7%
6	12.2%	13.7%
7	4.8%	3.7%
8	9.6%	6.5%
9	7.0%	12.7%
10	5.3%	5.7%
11	17.2%	15.1%
12	6.0%	3.5%
13	2.0%	7.2%

Citizen Participation

A draft version of the formulae was submitted to a 32-day public comment period (October 28, 2002—November 28, 2002), as well as six public hearings. During this time citizens and organizations were encouraged to submit written or oral comments. Below is a listing of the public hearing’s locations, dates, and number of attendees:

- **Harlingen** (November 4): **11**
- **El Paso** (November 6): **13**
- **Galveston** (November 7): **6**
- **Greenville** (November 12): **26**
- **Jasper** (November 13): **10**
- **Austin** (November 14): **10**

Summary of Proposed Changes from the Draft Version of the Plan

A summary of all comments received during the public comment period and the Department's responses is attached and will be included in the final version of the Plan.

The Department is not proposing any changes from the draft version of the formulae. While the formulae are unchanged, the resulting distribution percentages have changed slightly because of available funding updates obtained from USDA and the Texas Bond Review Board after the draft SLIHP was published.

Proposed Action

Final approval of the formulae.

Regional Allocation Formula Public Comment

Comment: The Dallas (3), Houston (6), and Austin (7) regions should be divided into an “A” and “B” part. Many lower income people, who work and utilize the amenities of large Metropolitan Statistical Areas live in smaller adjoining counties and cities. Some of these non-urban communities have significant affordable housing needs, but are not able to compete with the large Metropolitan Statistical Areas for points. Re-dividing the tax credit allocation within Regions 3, 6, and 7 will ensure that smaller counties and cities receive their fair share of tax credit allocations.

Department Response: The Regional Allocation formula indicates how much funding will be available in each Uniform State Service Region, based on a regional aggregate assessment of need indicators, and has no correlation to where allocations are to be made within a region. Selection criteria and associated points are determined through the QAP and are not within the jurisdiction of the formula.

The new 13 service regions determined by the Comptroller’s Office re-aligned the regions containing Austin and San Antonio in an attempt to rectify the imbalance caused by those two cities. The Department believes that further subdividing regions will limit the amount of credits in certain regions to the point of rendering them ineffective. No change proposed.

Comment: Retain the 13 regions as proposed. However, the tax credits should be allocated on a per capita basis as it has been done in prior years. Every area and region in the State of Texas has low income housing needs. It is unfair to favor one region over another. It appears that regions receiving the proposed disproportionate share of the tax credits are not as economically viable places to develop as are other areas of the state.

Department Response: While the amount of tax credits allocated to the State is based on a per capita basis by the IRS, the distribution of those credits is subject to §2306.111 (d) of the Government Code, which states:

The department shall allocate housing funds provided to the state under the Cranston-Gonzalez National Affordable housing Act (42 U.S.C. Section 12701 et seq.), housing trust funds administered by the department under Sections 2306.201-2306.206, credit program administered by the department under Subchapter DD to each uniform state service region based on a formula developed by the department that is based on the need for housing assistance and the availability of housing resources, provided that the allocations are consistent with applicable federal and state requirements and limitations.

The Department believes factors used in the development of the formula (severe housing cost burden on very low income populations, substandard and dilapidated housing stock occupied by very low income populations, overcrowding, and poverty) are appropriate and accurate indicators of housing need. No change proposed.

Comment: We strongly believe that population size and the area median income (AMI) should receive due consideration. The larger the population, combined with the lowest AMI, should be given a greater amount of weight in the factors that make up the Regional Allocation Formula.

Department Response: The Department believes that the use of poverty figures in the formula adequately addresses population/median income issues. No changes proposed.

Comment: The 13 separate regions are acceptable, but should be allocated on a per capita basis without any adjustment for previous awards. Previous award adjustments should be done only with points in the Selection Criteria. The current draft of the QAP has previous award adjustment in 3 areas. (RAF, Needs Assessment Formula, and points for no previous awards to a community.) This is too much weight for one objective. Since Austin, Dallas, and Houston are the major metropolitan areas in the state and will have a point advantage on their smaller neighbors it is advisable to separate those communities in a city wide region and allow the outlying areas to compete in a separate sub-region.

Department Response: While the amount of tax credits allocated to the State is based on a per capita basis by the IRS, the distribution of those credits are subject to §2306.111 (d) of the Government Code, which states:

*The department shall allocate housing funds provided to the state under the Cranston-Gonzalez National Affordable housing Act (42 U.S.C. Section 12701 et seq.), housing trust funds administered by the department under Sections 2306.201-2306.206, credit program administered by the department under Subchapter DD to each uniform state service region based on a formula developed by the department that is based on the need for housing assistance and the **availability of housing resources**, provided that the allocations are consistent with applicable federal and state requirements and limitations.*

The adjustment made to the Regional Allocation Formula, based on the availability of housing resources, influences the amount of funding available to a region, and has no correlation to where allocations are to be made within a region. Selection criteria and associated points are determined through the QAP and are not within the jurisdiction of the formula.

The new 13 service regions determined by the Comptroller's Office re-aligned the regions containing Austin and San Antonio in an attempt to rectify the imbalance caused by those two cities. The Department believes that further subdividing regions will limit the amount of credits in certain regions to the point of rendering them ineffective. No change proposed.

Comment: You should be figuring in your allocation and in your formulas in and in your scoring how much local effort has gone in and with what the city or the county or whoever the entity is has the ability to help themselves because if somebody's sitting out there with a tremendous amount of marginal tax rate left between its statutory cap and what it is taxing, why should you give them money? Why should they get money?

Department Response: Staff feels that more extensive research is required to identify the implications of incorporating marginal tax rates in the formula. No change proposed.

Comment: I think we should have a requirement in there, and I think that there's some language in there that's discretionary, about dispersion among regions, because increasingly in the big regions we're seeing that it's extremely difficult for communities outside of Houston or Dallas to compete with those developments in the city because they can't get the points for the deep targeting and so forth.

Department Response: The Regional Allocation Formula indicates how much funding will be available in each Uniform State Service Region, based on a regional aggregate assessment of need indicators, and has no correlation to where allocations are to be made within a region. Selection criteria and associated points are determined through the QAP and are not within the jurisdiction of the formula. No change proposed.

Comment: I fear that the verbiage and the intent of this reallocation (use of new 13 planning regions) will further disenfranchise the rural areas of Texas – specifically region 9 or now Region 12. Where will the funding come from for the two new regions? Will it further reduce the already limited funding?

It was mentioned that the changes will treat two metropolitan heavy areas more as distinct regions. For the past several funding cycles there has been already a distinct advantage for the metropolitan areas and an obvious bias against the rural areas. It bothers me that you would state or someone would state in a letter to give distinct regional favoritism, bias, or whatever you want to call it to the metro areas when they've already for some time been getting that favoritism in the funding.

Department Response: In 2002, the Comptroller modified the county groupings to create 13 regions from the previous ten, to help better identify unique characteristics of the border counties and treat larger metropolitan areas as distinct regions. The Department does not believe that the description of these changes indicates regional favoritism or bias for any area of the state.

The use of the new 13 planning regions does not impact the amount of funding available to the state as a whole. No change proposed.

Comment: The Housing Resource Center has proposed a new Regional Allocation for 2003. The allocation shifts a large amount of credits from Region 3 covering Dallas and Region 6 covering Houston to border regions. On one hand, the border regions have a strong need for affordable housing and apparently bond transactions do not work in these areas. On the other hand, the 9% credits are allocated to each state based on population. The major metropolitan areas have the heavy underserved populations that are the basis of the allocation of the 9% credits and should not be arbitrarily penalized.

Already, non-major metropolitan areas have two priorities in the allocation of 2003 credits. Section 49.9(f)(1)(E) on page 24 of the QAP allows up to 8 points for areas that have been underserved with tax credit allocations. This is apparently in the QAP to help equalize the playing field for those areas outside the major metropolitan areas. The Affordable Housing Needs Index is a further penalty to major metropolitan areas.

My understanding is that the regional allocation is being adjusted based on federal assistance (other than the 9% credits) to the various regions. Even though we don't necessarily agree, we understand the reasoning with the 4% tax credits, HOME funds, etc. For the purposes of determining the adjustment formula, shouldn't the 9% be included in total benefits between regions. The 9% credits are a subsidy to each region. This may affect the adjustment percentage.

We feel including the full dollar amounts of bond issuances in the formula is not appropriate and faulty. The assistance factor on bonds is not the face amount of the bonds, but only a small percentage of the face amount. Thus, an argument would exist as to a maximum of only 15%-35% (based on the taxpayer's tax bracket) of the bond amount. This benefit would, of course, have to be reduced by additional bond issuance costs.

We have been advised that there is an approximate 15% net (adjusted for additional expenses) benefit with bond interest rates over conventional interest rates. This will also vary from deal to deal. With a net benefit (after reviewing several alternatives) in the 15-20% range of the bond issuance amount, we suggest, as a matter of simplicity, that perhaps the amount of 4% credits that is included in the formula be increased by 50% and the bond amounts be eliminated from the formula.

This method would allow for a penalty to the larger regions that receive bond deals but it would not unfairly penalize these regions. We trust you will hear from credit buyers that they need the majority of allocations in major cities where their investors need CRA. Community Redevelopment credit is the driving force for top dollars being paid for credits. Many investors will reduce their support or not support the program if the credits go to areas that are not in their markets.

Department Response: The 9% credits are not eligible for the "other available funding" adjustment factor as they are to be distributed by the Department.

With regard to the calculation of other funding and multifamily bond funds: While the direct benefit to the developer may not be the full face value of the bonds, the ultimate benefit to the community is the full value of the development. The Department believes that the end result benefit or full face value of the bond is appropriate in its calculations. No change proposed.

Comment: We would like to submit the following comments on the proposed 2003 Regional Allocation Plan for your consideration. The proposed new plan would likely result in a diversion of tax credits from metropolitan markets to smaller towns in the border regions. We strongly believe that penalizing major Texas cities in such a fashion will result in a strong decline in investor interest in tax credits in Texas. The diverse investor community that we work with has a very strong preference for projects in major metropolitan markets where the most demonstrable need for affordable rental housing exists. Our investors typically also get credit under the Community Reinvestment Act (CRA) for investing in certain markets, particularly the big cities where their major operations are based. If the properties are in smaller non-qualifying markets, the credits will likely not be purchased.

Also with respect to the proposed formula for regional allocation based on federal assistance to the various regions, we would like to point out that the assistance factor for tax-exempt bonds is not the face amount of the bonds itself but just the incremental benefit relating to tax-exempt financing. Accounting for the difference in interest rates and offsetting this benefit to some extent by the additional expenses involved in issuing and credit enhancing bonds, would reduce the assistance factor to probably less than 20% of the face amount of the bonds.

Department Response: The distribution of tax credits are subject to §2306.111 (d) of the Government Code, which states:

The department shall allocate housing funds provided to the state under the Cranston-Gonzalez National Affordable housing Act (42 U.S.C. Section 12701 et seq.), housing trust funds administered by the department under Sections 2306.201-2306.206, credit program administered by the department under Subchapter DD to each uniform state service region based on a formula developed by the department that is based on the need for housing assistance and the availability of housing resources, provided that the allocations are consistent with applicable federal and state requirements and limitations.

The adjustment made to the Regional Allocation Formula, based on the availability of housing resources, influences the amount of funding available to a region, and has no correlation to where allocations are to be made within a region. The Department does not believe that the formula influences allocation in favor of large or small cities. Selection criteria and associated points are determined through the QAP and are not within the jurisdiction of the formula. No change proposed.

With regard to the calculation of other funding and multifamily bond funds: While the direct benefit to the developer may not be the full face value of the bonds, the ultimate benefit to the community is the full value of the development. The Department believes that the end result benefit or full face value of the bond is appropriate in its calculations. No change proposed.

Approval of the 2003 TDHCA Affordable Housing Needs Score

Background

The scoring criteria used to review the HOME, Housing Trust Fund, and Low Income Housing Tax Credit applications include an Affordable Housing Need Score (AHNS). The AHNS serves as a comparative assessment of affordable housing need for each county within a state service region. While not legislatively required, the scoring system is consistent with the legislature's emphasis on awarding funds based on objective measures of affordable housing need. The score was developed to help direct applicants to areas within a region that demonstrate a higher level of need. Each year, the formula is taken out for public comment, with the final version to be published in the State of Texas Low Income Housing Plan and Annual Report.

Current Formula

The scoring system is based on a series of Affordable Housing Need Indicators (AHNI) measured by:

- U.S. Census data (1990);
- Texas Department of Health and Human Services poverty estimate (2000); and
- Responses to the TDHCA 2001 Community Needs Survey (CNS).

Because HOME funds are predominantly used in non-participating jurisdictions, the HOME scores are based on estimated non-participating jurisdiction AHNI populations. The score also considers other TDHCA HOME, HTF, or LIHTC funding awarded during the two previous program funding cycles.

Applications will receive an AHNS based on the following factors:

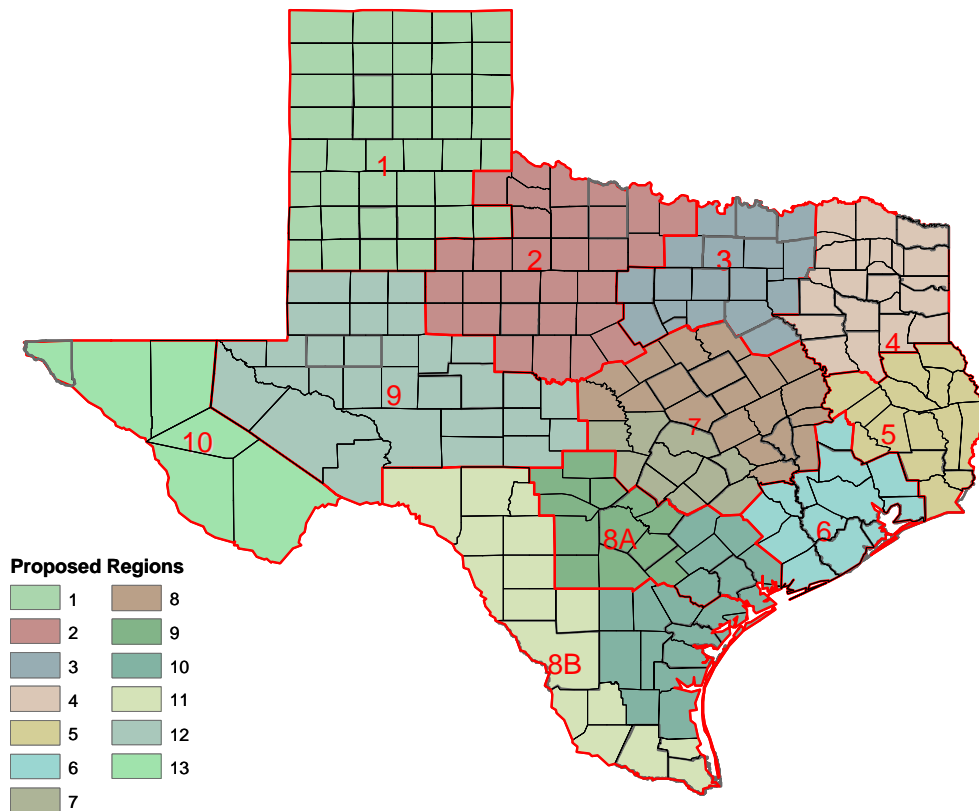
- RAF Factor: This portion of the score is based on the county's percentage of the total AHNI populations that reside in the region.
- Percentage of County Population Factor: This portion of the score reflects the percentage of the county's AHNI population as compared to the county's total population.
- CNS Factor: This portion of the score reflects the county average of city and county officials' responses to 2001 Community Need Survey questions.
- Other TDHCA Funding: A five point scoring bonus is provided to cities where an award of other TDHCA funding (for activities similar to those proposed in the application) has not been made in the previous two funding cycles.

Proposed Changes from the 2002 Affordable Housing Needs Score

The following items represent significant changes from the 2002 AHNS:

- Adopt a new 13 region state planning map for calculating scores. For the 2001 and 2002 AHNS, TDHCA used the Texas Comptroller of Public Accounts' Uniform State Service Regions for its planning purposes. In 2002, the Comptroller modified the county groupings to create 13 regions from the previous ten. The new configuration is intended to better identify the unique characteristics of the border counties and treats larger metropolitan areas as distinct regions. Because this change is consistent with TDHCA's efforts to allocate funds based on specific regional needs and demographic characteristics, the decision was made to adopt these new regions for the 2003 AHNS. (See Figure 2A for a map of the new regions.)
- The AHNIs and the associated indicator weighting are identical to that proposed in the 2003 Regional Allocation Formula (RAF): persons living in poverty (50% weight), substandard and dilapidated housing stock (5% weight), severe cost burden (30% weight), and overcrowded housing (15% weight).
- Also as was the case with the RAF, the measures of need were tied more closely to the program activity (i.e. the score assigned to rental developments are based on rental AHNI populations and the score assigned to single family activities are based on AHNI owner populations).
- The Department noted that while the input from almost 800 elected officials from across the state provides an invaluable measure of affordable housing need, the CNS is a somewhat subjective indicator. Therefore it was suggested that county averages be used in the 2003 AHNS scores. Previously a jurisdiction's response (or lack of response) was associated with that particular jurisdiction's score. Additionally, since the other Census based AHNS factors are evaluated at the county level so it would seem logical that the CNS also be evaluated at the county level.

Figure 2A



Citizen Participation

A draft version of the AHNS was submitted to a 32-day public comment period (October 28, 2002—November 28, 2002), as well as six public hearings. During this time citizens and organizations were encouraged to submit written or oral comments. Below is a listing of the public hearing's locations, dates, and number of attendees:

- **Harlingen** (November 4): **11**
- **El Paso** (November 6): **13**
- **Galveston** (November 7): **6**
- **Greenville** (November 12): **26**
- **Jasper** (November 13): **10**
- **Austin** (November 14): **10**

Summary of Proposed Changes from the Draft Version of the Plan

A summary of all comments received during the public comment period and the Department's responses is attached and will be included in the final version of the Plan.

The Department is proposing a single change to the AHNS. Instead of deducting five points from the score of communities that received a TDHCA HOME, HTF, or LIHTC award in the previous two years, a five point bonus will be given to communities that have not received such an award. This revision is not significant and represents the Department's preference to emphasize where funds should go as opposed to identifying where they should not go.

Proposed Action

Final approval of the AHNS.

Affordable Housing Needs Score Public Comment

Comment: Has the Department ever considered deducting 5 points for EACH property funded in a given city in the previous two years – further encouraging dispersing the properties?

Department Response: The Department believes that the 5 point deduction for a city for an award within the last two years is sufficient to encourage geographic dispersion. No change proposed.

Comment: The 2003 scores are inaccurate as to local need. There are many people who live in adjoining counties and smaller communities that have significant housing needs and work in the larger Metropolitan statistical Areas. The scoring assumes that people with affordable housing needs live and work in the same community. There are smaller communities that have severe affordable housing needs that are experiencing economic growth and still receive disproportionately low AHNS scores.

In Region 6, Harris and Galveston counties have a 5-7 point advantage over most of the other counties in the region. For example, the City of Willis, in which over ½ of its housing is classified as deteriorated or dilapidated has an Affordable Housing Needs Scoring component score of 9 as compared to Harris County which has a score of 16. In fact there are high demographic areas in Harris County such as West University, Bunker Hill Village and Piney Point Village, which are communities that do not have any affordable housing needs and score 16 points. In reviewing the scores for other large Metropolitan Statistical Areas, there are parallel situations that exist.

Department Response: The Affordable Housing Needs Score serves as a comparative assessment of affordable housing need for each county. The objective score model is based on need indicators represented by U.S. Census data, Texas Department of Health and Human Services poverty estimates, and responses to the TDHCA 2001 Community Needs Survey. The Department maintains that the data sources used in the scoring system are accurate indicators of local need.

The score does not make any connection between where individuals work and where they live. The score is based solely on where individuals reside and is designed to increase the amount of funding going to counties with the highest demonstrated level of need. The score model takes into account not only the total number of housing needs in a county with respect to the rest of the region, but also the percentage of those within each county that are in need of housing assistance. These factors are intended to identify the communities that may not have the largest numbers of persons in need, but do have a disproportionately large percentage of their population in need. The Department maintains that these factors help to eliminate bias based on population size alone. No change proposed.

Comment: Formula is flawed and should be removed from any point awards.

Department Response: The Affordable Housing Needs Score serves as a comparative assessment of affordable housing need for each county. The objective scoring system is based on need indicators represented by U.S. Census data, Texas Department of Health and Human Services poverty estimates, and responses to the TDHCA 2001 Community Needs Survey. The Department maintains that the data sources used in the scoring system are accurate indicators of local need. No change proposed.

Comment: The proposed needs score penalizes all Texas cities such as Dallas, Houston, Austin, and San Antonio or any other city which has received an award within the last two years, compared to suburbs and cities which have not received a development within the last two years, by deducting 5 points from each city's score. TDHCA should restore the 5-point deduction to these cities because that is where the demand for affordable housing is concentrated. Moreover, the points awarded based on a projects' location and population have already addressed any inequity in past allocations. (3)

Department Response: The Department believes that as a matter of policy it is important to encourage the geographic distribution of its funds. No change proposed.

Comment: Regarding the 5-point deduction for previous award within the last two years: Delete this component. This policy ignores the fact that affordable housing is a regional issue and negatively affects larger cities and favors suburban Greenfield development at the expense of existing, underserved neighborhoods.

Department Response: The Department believes that as a matter of policy it is important to encourage the geographic distribution of its funds. The QAP encourages development in larger cities by awarding points for being able to serve persons at lower incomes which is typically more feasible in large metropolitan areas. In addition the QAP offers points for amenities that are more feasible in larger metropolitan area because of additional cash flow due to higher incomes. There is also a preservation set aside which directs funds to areas that already have a large number of existing developments – i.e. larger metropolitan areas. While the point deduction does encourage development outside of larger metropolitan areas which tend to get awards year after year, it does not encourage Greenfield development. Projects located outside a city limits will use the score of the closest city. The score promotes funding to areas that have not recently received an award. The need for affordable housing in the community and the project’s financial feasibility must still be demonstrated in the application. No change proposed.

Comment: The score component dictates that, if a development is located in an incorporated city that it receives the city score, and if a development is not located in an incorporate city that it receives the county score. Delete this section.

Department Response: In an effort to accurately identify unique local housing needs, the Department gives a score to as specific an area as possible. While this item did not receive substantial public comment, it does appear that designating scores for varying levels of geographic classification (census tract, city, county, etc.) is an issue that warrants further evaluation to minimize unintended negative consequences. At this time, however, the Department feels the current AHNS is an effective tool for assessing need at the city and county level. It is suggested that this issue be studied over the course of the following year as opposed to making any significant changes at this time that would not be subject to public comment. No changes are recommended.

Comment: The scoring component is skewed towards high-population areas and overlooks smaller community’s relatively higher levels of substandard housing. In order to level the field between urban and rural communities, this component should be removed from use as a point criterion.

Department Response: The score model takes into account not only the total number of housing needs in a county with respect to the rest of the region, but also the percentage of those within each county that are in need of housing assistance. These factors are intended to identify the communities that may not have the largest numbers of persons in need, but do have a disproportionately large percentage of their population in need. The Department maintains that these factors help to eliminate bias based on population size alone. No change proposed.

Comment: I have some concerns with the allocation score. In looking at the score as it’s devised, especially in reference to the deductions based on previous awards of tax credits, there appears to be a problem in that when that happens, non-profits suffer tremendously because of the fact that the tax credits that have been allocated in our region for the most part with the exception of Odessa have been for profit corporations. And this creates a tremendous burden on non-profits when we begin to apply for funds for TDHCA in that that’s going to give us a lower score when compared around the rest of the states whereas those areas close to the major cities -- in looking at their scores, their scores are at a point that are six or seven points higher than the scores that are allocated for Midland. And I know that six or seven points doesn't appear to be that much, but when your total points -- I think the max I saw was 19 -- and we're looking at nine, that's a significant jump. We're penalized five points for tax credits that no non-profit has come close to being awarded in our particular region. It's simply for-profit corporations which come in and do their own studies. And I won't say they're favored by the powers that be, but it appears that they have an inside track.

Department Response: The Affordable Housing Needs Score serves as a comparative assessment of affordable housing need for each city/county within each Uniform State Service Regions. The point deduction for previous award does not make distinctions as to the type of entity that has received an award from the Department in the past. The Department believes that as a matter of policy it is important to encourage the geographic distribution of its funds. No change proposed.

Comment: The 4% LIHTC program, or any other mortgage bond program on the market, cannot be used in El Paso and the other border communities due to the fact that our income levels are so low. The 9% LIHTC program is really the only viable and financially feasible funding source for providing substantial affordable rental housing along the border. I mention all of this because I understand that you may be receiving pressure and much public

comment from developers located in the more affluent metroplexes in the state. I urge you and the Department to be sensitive to the problems of the border and leave the RAF in its present form.

Department Response: The Department concurs with the idea that additional funds should be distributed to areas of the state with higher demonstrable need and development difficulty.

Comment: Providing for affordable housing in strategic investment areas of the state presents several unique challenges. The low-income levels cause rents to be as much as 50 percent below rents in the larger, more affluent metroplexes in our state. However, construction costs are the same if not more in SIAs, due to geographic isolation and increased shipping costs for construction materials. Hence, it is virtually impossible to develop affordable rental housing along the border without significant subsidy, as provided in the LIHTC program. Your formula, in its present form, takes into account all of these various factors, and additionally acknowledges that in SIAs there is no conventional means of funding available to meet these needs. I urge you to keep the Regional Allocation Formula and continue to work on solving the affordable housing issues. Your department has made great strides in the past three years in balancing the needs of affordable housing throughout the state.

Department Response: Same as previous comment.

Comment: Applying a flat five-point reduction on a city-by-city basis disadvantages the larger metropolitan areas that already lose funding due to the calculation methodology of the RAF.

Department Response: The RAF is regionally based and does not penalize specific metropolitan areas. Regions with larger metropolitan areas tend to get a very large portion of available TDHCA LIHTC funding. While it is true that the regions with larger metropolitan areas are “penalized” by a reduction in funding based on their metropolitan areas’ access to other funding sources, this reduction is not tied to a specific metro area. The point reduction serves to ensure that areas that have previously or continuously receive awards do not continue to receive awards at the expense of the other communities in the region that do not have access to the funds that caused a decrease in the amount of TDHCA funding for which the region is eligible.

Comment: Investors have a very limited demand for tax credits allocated to properties in non-metropolitan area. Population size and stability of market forces (diversified and stable employment base) are critical to investors. THFC and our investors have experienced first hand the effects of over-allocated tax credits in primarily rural areas (particularly for properties inside a Metropolitan Statistical Area. The newer tax credit properties cannibalize tenants from existing tax credit properties creating high vacancies. If too many tax credits are supplied to areas in excess of investor demand, the subsidy will not be utilized and the good intentions of providing affordable housing where it is needed will not be served. Implementing a system for tracking tax credit property demand before allocating additional credits in a market is critical. Simply allocating a five point reduction will not achieve that end. A flat five point reduction also does not take into account the relative size of a city like, for example, Houston versus a city the size of Ennis.

Department’s Response: While the Department certainly recognizes that market forces must be considered in developing policies to achieve its goals and objectives, it believes that it should also not develop strategies that are based solely on what is easiest or most profitable for the development and investment community. Thus far, the Department has rarely seen credits returned from awards made to applications that will serve rural or larger non-MSA communities. The five point deduction (out of a score of plus or minus 190 points) does not prohibit a larger MSA such as Houston from receiving an award of credits. It merely provides other communities in the region with a slight scoring advantage if they have not received an award of credits and another community has. For that matter mid-sized communities around the perimeter of Houston will still be eligible to effectively compete for the credits. The larger metropolitan areas will continue to receive tax exempt bond financing credit awards and concerns related to over allocation issues probably will continue to be an issue as long as a random lottery approach is used to allocate those funds. A detailed underwriting review is conducted prior to making any funding recommendation.

It is the Department’s charge to serve the entire state and the five point deduction is one tool that can be used to try to effectively distribute its funds.

Comment: CNS Factor: This is a very subjective indicator, based on a county responding to a survey relating to rental housing activities in their area. The County may not have accurate information on such activity, nor are their

responses required to be verified by any objective data.

Furthermore, the use of an average for the region if the local county does not respond is particularly invalid in areas where the region spans many counties, and includes a mix of urban and rural settings. Factors such as growth, demand, rental rates, vacancy, types and sizes of units vary widely from, for example, Brownsville and Laredo.

In addition, such officials would not know of, or have supplied information, on single family, or small duplex, quadruplex, or other smaller type multifamily buildings. In rural and small urban communities, such as ours, the majority of rental are in these types of properties, not in large, traditional multi family type complexes.

The use of a survey of City and County officials seems to me to be a very unobjective standard, and averaging over diverse markets for those who did not respond does really not address the issue of “the severe cost burden on very low income renters”.

It would seem the use of “verifiable” data would be better such as Census data or other source.

Department Response: To some extent, the Department concurs with the commentator’s assertion that the survey is a subjective indicator of affordable housing need. That was a primary reason for suggesting the use of county averages in the 2003 AHNS as opposed to associating a specific jurisdiction’s response (or lack of response) with the jurisdiction’s score. However, the input from almost 800 elected officials from across the state provides an invaluable measure of affordable housing need and housing preference within geographical areas. Additionally, the other Census based AHNS factors are evaluated at the county level so it would seem logical that the CNS be taken at the county level as well. The lesser weighting of the CNS component of the AHNS also already addresses concerns over the subjectivity of this factor.

Comment: Deducting 5 points for areas that have received funding in the past two years has nothing to do with need. In some areas of high poverty, high population, and high rent burden, an across the Board deduction impacts them more severely than areas with less poverty, population, and rent burden. The use of previous TDHCA funding as a factor only addresses where TDHCA is using its funds, and has nothing to do with the need for affordable owner occupied and rental housing assistance, which should be strictly based on need.

In addition, the value of each award varies, as does the number of units that will be assisted, as does the income levels that will be served. An across the board deduction that does not factor in any of the above is also unfair.

Department Response: The Department has been continually encouraged by the legislature and general public to ensure that its funding decisions are need based and help distribute funds equitably across the entire state. As the AHNS score is primarily tied to county data, a five point deduction merely provides other communities in the same county and region with a slight scoring advantage (the LIHTC Program for example has a total possible score of around 190 points) over areas that were fortunate enough to receive a funding award in the recent past. The five point deduction allows the Department to direct funding to areas with a high need and no recent awards without prohibiting funding awards altogether in areas that were recently awarded but otherwise are still able to score competitively based on program guidelines.

Final Approval of the 2003 State of Texas Low Income Housing Plan and Annual Report

Background

The *2003 State of Texas Low Income Housing Plan and Annual Report* (SLIHP or Plan) is one of three comprehensive planning documents the Texas Department of Housing and Community Affairs is required to submit annually. It serves in the following capacities: provides an overview of TDHCA housing and housing-related priorities and policies; outlines statewide housing needs; provides TDHCA's programs funding levels and performance measures; and reports on the Department's activities during the preceding fiscal year (September 1, 2001– August 31, 2002).

Citizen Participation

The formal citizen participation process for the *2003 State of Texas Low Income Housing Plan and Annual Report* began in October of 2002 with five public hearings where constituents were given the opportunity to make general comments on the direction of all Department programs. A draft version of the Plan was then developed and submitted to a 32-day public comment period (October 28, 2002—November 28, 2002), as well as six additional public hearings. During this time citizens and organizations were encouraged to submit written or oral comments. Below is a listing of the public hearing's locations, dates, and number of attendees:

- **Harlingen** (November 4): **11**
- **El Paso** (November 6): **13**
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- **Greenville** (November 12): **26**
- **Jasper** (November 13): **10**
- **Austin** (November 14): **10**

Summary of Proposed Changes from 2002 State of Texas Low Income Housing Plan and Annual Report

Below is an overview of the substantial changes from the 2002 Plan:

- Inclusion of information from Regional Advisory Committees (as legislated by SB 322 from the 77th Legislative Session).
- Change of Uniform State Service Region alignments. In accordance with changes made by the State Comptroller's Office, the Department is proposing switching from the existing 11 regions to the newly created 13 regions for planning and allocation purposes.
- Newly created set aside for Olmstead populations within the HOME Program. In an effort to address the Supreme Court Olmstead Decision (related to the de-institutionalization of persons with disabilities), for PY 2003, TDHCA is proposing allocating \$2,000,000 towards those populations outlined in §531.055, Texas Government Code.¹ These funds will be used for tenant based rental assistance, including security deposits.
- Funding and performance information broken out by Uniform State Service Regions.
- Proposed Integrated Housing Definition and Policy (discussed as a separate Board agenda item)

Summary of Proposed Changes from the Draft Version of the Plan

A summary of all comments received during the public comment period and the Department's responses is attached and will be included in the final version of the Plan (The Board Approval Version of the Plan may be accessed from the TDHCA web site at www.tdhca.state.tx.us).

The majority of comments related to and resulted in minor language clarifications. The only proposed policy change from the draft version of the Plan is with regard to Community Housing Development Organization (CHDO) eligible activities within the HOME Program. Previously CHDOs could apply for the acquisition, rehabilitation, or new construction of multifamily rental housing, or for homebuyer assistance if their organization is the owner, developer, or sponsor of the single family housing project. The Department proposes making the acquisition, rehabilitation, and new construction of single family housing (through direct funding or loan guarantees) an eligible activity.

Proposed Action

Final approval of the Plan

¹Institutional housing meaning: (a) an ICF-MR, as defined by Section 531.002, Health and Safety Code, (b) a nursing facility; (c) a state hospital, state school, or state center maintained and managed by the Texas Department of Mental Health and Mental Retardation; or (d) an institution for the mentally retarded licensed or operated by the Department of Protective and Regulatory Services. Note that SB 367, from the 77th Legislative Session, expanded the state's definition of the Olmstead Population to include not only those individuals who had been served in a state mental health facility for twelve months, but also those individuals who had three inpatient hospitalizations within a 180-day period to a TDMHMR facility (State hospital) to be presumed at imminent risk of institutionalization.

Summary of Public Comment and Department Responses

Comment: The Council notes that the general public is unaware of the service boundaries of the various TDHCA programs. Frequently many health and human service professionals assume that TDHCA is the primary provider of housing services throughout the state. To aid the public gain a better understanding of the complex network of jurisdictions and programs, the Council suggests that the introduction to the Plan and Annual Report include a basic and simplified overview of housing services in Texas. It may be helpful to readers to have a description and explanation of the governmental jurisdictions which are responsible to serve the housing needs of various geographical areas and to manage housing programs. An explanation of service areas and programs which overlap would also add to a greater understanding of housing services.

Department Response: The Department concurs and will add such language to the final version of the Plan.

Comment: Housing Trust Fund: For the last few years, TDHCA has undertaken a capacity building initiative with dollars from the Housing Trust Fund. This initiative does not provide for true capacity building. The concept of capacity building in the housing arena, revolves around giving dollars to organizations who want to undertake housing development, but have not done it to this point. However, The department has always used capacity-building dollars to fund organizations that already perform work in the housing development arena. This is NOT true capacity-building. We request that the department revamp their capacity-building initiative so that it truly promotes and builds the capacity of housing development in Texas.

Department Response: The Department believes that there is a need for technical assistance with regard to affordable housing programs as a whole. The Department is currently in the process of re-evaluating its delivery of capacity building/technical assistance and hopes to be able to more effectively provide services to local communities.

Comment: The TDHCA Draft 2003 State Low Income Housing Plan and Annual Report refers to the definition of a person with a disability under the U.S. Department of Housing and Urban Development, 25 CFR 582.5 and discusses the dilemmas of definitions of disability on page 88 and 89. The Council is opposed to linking eligibility for housing with services. It is important that a person with a disability has a choice of where to live as well as a choice of service providers if services are needed. It should be emphasized that many people with disabilities are able to live independently without services when their dwellings are accessible.

Department Response: The section referred to on p. 88 and 89 is an overview of the number of persons within Texas that have some sort of disability. The Department does not link eligibility for housing with services with its housing programs and does not believe that additional language is needed in this section. No change proposed.

Comment: Policy Initiatives and Strategies – Olmstead v. L. C. (page 12)

At this time the Texas Education Agency, the Texas Department of Protection and Regulatory Service and the Texas Department of Transportation are not part of the SB 367 (77th Texas Legislative Session) Interagency Task Force on Appropriate Care Settings for Persons with Disabilities.

Department Response: The Department concurs and will remove reference to those entities in the final version of the Plan.

Comment: Policy Initiatives and Strategies – Serving Extremely Low- and Very Low-Income Populations (page 19)

As noted on pages 88-90 of the report, in the **Needs Assessment – People with Disabilities** section, a significant part of the population with disabilities lives in abject poverty, relying on \$545 monthly Supplemental Security Income (SSI). The Council supports all efforts the Department makes to reach those in the greatest need.

Comment: Policy Initiatives and Strategies – Serving Special Needs Populations – Olmstead (page 21)

The Council commends the Department for the commitment, leadership and work it has invested in meeting the intent of the Olmstead Supreme Court decision.

Comment: Policy Initiatives and Strategies – Serving Special Needs Populations –Integrated Housing Definition (page 23)

The Council supports the proposed policy and definition of Integrated Housing. People with disabilities want to have the choice to live in the regular community with their non-disabled peers.

Comment: Policy Initiatives and Strategies –Fair Housing Issues (page 25)

The Council appreciates the commitment the Department has to ensure housing is provided without discrimination. The Council encourages the Department to continue to strengthen its technical assistance programs and its compliance/enforcement activities so that there is a decrease in incidents of intentional and unintentional discrimination in housing provided to people with disabilities.

Comment: Needs Assessment - Regional Advisory Committee Report (page 82)

The Council would like to commend the Department on its work to assess the housing needs region by region to get a clearer picture of the statewide need. We look forward to the first annual Regional Housing Need Report (RHNR).

We are pleased that the needs assessment effort has specifically addressed the housing needs of people with disabilities. We are also concerned that some communities may not prioritize the needs of people with disabilities fairly. The Regional Advisory Committee “. . . members agreed that there is a shortage of low-income housing accessibility to people with disabilities; and that there is a perceived shortage of fund for residential architectural barrier removal.” (page 83). The Community Needs Survey states “only 14 percent of the responses said they ‘agreed’ that there is an adequate supply of low income housing in their community that provides accessibility to people with disabilities.” (page 85). However, even with acknowledgement of the needs, the report notes that the Regional Advisory Committee did not rank these needs high and that those responding to the Community Needs Survey failed to rank programs for people with special needs as a high priority. To assure that the housing needs of people with disabilities are addressed at a fair share level, it is important to incorporate representatives of the regional and local disability communities in the needs assessment efforts.

Department Response: The Department concurs that it is important that all groups be fully represented at the Regional Advisory Committee (RAC) meetings. Although TDHCA is not a member of, nor does it have any jurisdiction over the RACs, the Department will continue to assist in making the public aware of the meetings to ensure significant local input.

Comment: Comprehensive Performance Report – HOME Program – Set-Aside for Olmstead Population

The Council applauds the Department for the allocation of \$2,000,000 in PY 2003 towards the population of people with disabilities who will be transitioning from institutions to life in the community. The Council also recognizes the Department for its part in providing tenant based rental assistance to people with cognitive impairments that are affected by SB 358 (76R).

Comment: Comprehensive Performance Report – Low Income Housing Tax Credit Program

The Council applauds the Department for the incorporation of Section 504 of the Rehabilitation Act of 1973 as amended (29USC §794). We have gone on record for many years in asking that the QAP include standards that will expand the stock of accessible housing in the state for people with disabilities and will provide accommodations and modifications to people with disabilities. We celebrate the Department’s step forward to accomplish these goals.

Comment: Finally the Council would like to commend the Department for not only establishing the Disability Advisory Committee (DAC) but also incorporating the input received from this committee into the working operations of the Department.

Comment: Public Private Partnerships (p. 13)

ADAPT applauds the partnerships with HOYO and the Olmstead v. LC & EW partnership with the SB 367 Task Force. These address critical needs in the disability community, and address them in a cross-disability manner!

Comment: Multifamily Preservation (p.16)

This is a critical effort if Texans with the lowest incomes are to have a roof over their heads! TDHCA and advocates must call attention to this growing problem. Efforts to address this issue must also, however, ensure that Section 504, Fair Housing and similar laws are complied with.

Department Response: The Department concurs. These issues are required to remain in compliance with Department funding and are monitored by the Compliance Division.

Comment: Community Input (p. 16-18)

TDHCA's work with RHNR and RACs is an important opportunity to educate local officials and housing organizations about the needs and rights of people with disabilities in regards to housing. Often this information does not "trickle down" and the needs of local residents with disabilities are less visible because of issues like: less concentration of people in more rural areas, lack of transportation and other services and supports makes it more difficult for people to get out and about, people with disabilities are themselves unaware of their rights and options.

Department Response: The Department concurs that it is important that all groups be fully represented at the Regional Advisory Committee (RAC) meetings. Although TDHCA is not a member of, nor does it have any jurisdiction over the RACs, the Department will continue to assist in making the public aware of the meetings to ensure significant local input.

Comment: Serving Extremely Low and Very Low Income Populations (p.19)

Many individuals with disabilities are very low income, receiving only SSI. Section 8 and similar rental subsidies are critical for people to keep a roof over their heads. TDHCA should continue to apply for and encourage local communities to apply for all possible vouchers. Additionally, the Department should strategize to discover ways to maximize rental subsidies for low-income people with disabilities. ADAPT would like to acknowledge the ingenuity behind TDHCA's allocation of HOME Funds to assist people with disabilities obtain housing.

Department Response: The Department concurs. In 2002 TDHCA applied for Mainstream vouchers and will continue to do so as they become available. The Department will continue to work with local communities to encourage addressing the needs of persons with disabilities.

Comment: Serving Special Needs Populations, Olmstead (p.21)

TDHCA is to be applauded for its efforts to address this issue in a proactive way. TDHCA is making an important commitment to help address this problem in a proactive way through the allocation of these funds. The Olmstead rental assistance addresses a need as our state works to ensure that no one is forced to stay in a nursing home or other institution; lack of affordable, accessible housing is often a primary barrier, especially given some of the support service funding modifications that have been made over that last couple of years. This initiative will play a critical role in ensuring the success of persons with disabilities who can and want to live in the community. Of all the positive things TDHCA has included in this Annual Plan, ADAPT believes this set aside to be the greatest. People with disabilities who have for too long been forced into institutional living have finally had their right to freedom recognized by the Supreme Court. While advances are being made in the area of support services, for many people the lack of affordable, integrated housing is THE remaining barrier. TDHCA has made a significant effort to address that barrier. ADAPT is concerned that since services in rural areas are less available, many people may need to move to more urban communities, yet with the restrictions on TDHCA funding that require most of the funds to go to rural areas (a concept ADAPT generally supports very much) we are concerned that the vouchers funded by this set aside may miss the mark to some degree – we are not clear if the exemption from the Regional Allocation formula will completely address this problem or not, but wanted to call attention to it in case the exemption did not.

Comment: Integrated Housing Definition (Page 23)

The Texas Department of Housing and Community Affairs (TDHCA) 2003 State of Texas Low Income Housing Plan and Annual Report reflects the proactive approach TDHCA has taken by working with DAC to develop an "Integrated Housing Policy, which includes a definition of Integrated Housing" that when adopted will be used by all of the housing programs administered by TDHCA. TDHCA is showing its commitment to assisting people with disabilities in living in the most affordable, accessible, and integrated housing. This is a great policy statement and one that should serve as a model for other state and local housing entities. TDHCA should be proud!

Four comments that could make the policy more clear, although it already very well thought out and written:

Comment: Why not add the definition of general population to the definitions section of the policy instead on including only that definition in the body of the policy?

Department Response: The Department concurs and will make the suggested change in the final version of the policy.

Comment: In the list of bulleted items of what the TDHCA will do, for parallel construction, you could change that bullet to read: support scattered site development and tenant based rental assistance even if up to 100% of the units are set aside for persons with disabilities.

Department Response: The Department concurs and will make the suggested change in the final version of the policy.

Comment: In the past this policy has been misunderstood as meaning that no development could have more than 18% or 36% of the units occupied by people with disabilities. In order to clarify that that is not the intent, you might want to add a definition of set-aside in the definitions section. A possible definition could be: *Set aside: Units whose occupancy, in the case of this policy, is restricted by funding or land use requirements to people with disabilities.*

Department Response: The Department concurs that there has been significant misunderstanding with regard to the intent of the policy. Appropriate language will be added to differentiate the meaning of set aside units in the final version of the policy.

Comment: Another definition that might avoid future misunderstandings is a definition of scattered site. A possible definition is: *Scattered Site: One- to four- family dwellings located on sites that are on non-adjacent lots, with no more than four units on any one site.*

Department Response: The Department concurs that the definition of scattered site needs to be included in the final version of the policy.

Comment: Fair Housing Issues (Page 25-26)

The federal Fair Housing Act, Section 504 of the Rehabilitation Act of 1973, the Americans with Disabilities Act and the Texas Architectural Barriers Act all address requirements to make housing and related services accessible for people with disabilities. Many times these laws are not followed, especially, if there is a perception that there is little or no enforcement of these existing laws. The fact that Section 504, the ADA, the Texas Visitability and Architectural Barriers Acts are not mentioned here give the impression TDHCA does not care about compliance with these laws.

The Section 8 policy described here is another critical component of the effort not only to enforce Fair Housing, but also truly affordable housing! Outreach and education on this policy to consumer groups, Public Housing Authorities and similar venues would greatly enhance an already important step TDHCA has taken by adopting this policy.

Department Response: The Department concurs that compliance with all fair housing laws is of utmost importance. Appropriate language will be added to the final version of the Plan.

Comment: Architectural Barrier Removal

The incredible need for assistance to people with disabilities acquiring access into their own homes has been demonstrated continuously. Inaccessible housing is substandard for people who need access. If you are a prisoner in your own home because you cannot get in or out independently due to lack of a ramp, railing, accessible fire alarm or other access accommodations, your housing is substandard.

Support is needed to increase the number of units done by the architectural barrier removal programs, and these programs must be consumer driven. Technical assistance needs to be provided to communities to help them develop architectural barrier removal programs. TDHCA should work with the disability community to develop and promote programs that are

effective. The funds allocated to the Architectural Barrier Removal Program will help people with disabilities remain an active part of the community. The removal of barriers allows people to retain their independence.

Department Response: Architectural barrier removal is an eligible activity under the HOME and Housing Trust Fund programs. The Department does not believe that a separate program needs to be developed to address this need. The Department believes that there is a need for technical assistance with regard to affordable housing programs as a whole. The Department is currently in the process of re-evaluating its delivery of capacity building/technical assistance and hopes to be able to more effectively provide services to local communities.

Comment: Special Populations, People with Disabilities (pp. 88 – 90)

The discussion of definition of people with disabilities is now over a decade old in this Low Income Housing Plan, and it is getting a little old to read it again and again. The statement “a precise and reliable definition of the term is nonexistent” is incorrect; the definition depends on what it is being used for. Fair Housing Amendments Act has a perfectly good definition, as does 504 and ADA, and they are almost identical:

An individual with a disability is a person who has:

- *a physical or mental impairment that substantially limits one or more major life activities,*
- *a record of such an impairment,*
- *or is regarded as having such an impairment.*

Major life activities means functions such as:

- *caring for one’s self,*
- *performing manual tasks,*
- *walking,*
- *seeing,*
- *hearing,*
- *speaking,*
- *breathing,*
- *learning,*
- *and working.*

People who are currently engaging in the illegal use of drugs, are not protected unless they:

- *no longer illegally use drugs and have successfully completed drug rehab,*
- *are participating in a supervised rehab program, or*
- *are erroneously regarded as engaging in such use.*

Under the ADA there is a laundry list of “-isms” which are not covered. These include: transvestitism, transexualism, pedophilia, exhibitionism, voyeurism, etc., compulsive gambling, kleptomania or pyromania or psychoactive substance use disorders resulting from current illegal use of drugs.

The Fair Housing Amendments Act also excludes transvestites.

The HUD definition included here and in the Annual Plan is not bad except the second part is kind of offensive to many in the disability community as it seems to place special emphasis on developmental disabilities, which are pretty much irrelevant to housing issues. People with developmental disabilities are people with disabilities and should not be separated out unless there is some particular need.

On the other hand the discussion about low income issues is very relevant and important as is the discussion of integration.

It’s helpful to have the 2000 Census data, and too bad none of that could be cross-referenced with the other housing data given earlier in this section.

Department Response: The Department concurs that there is not a need to define developmental disabilities and will remove the language from the final version of the Plan. The Department also concurs that the definition of disability should be as it relates to housing and will refine the definition for the final version of the plan.

Comment: GOAL 7: TDHCA will commit funding resources to address the housing needs and increase the availability of affordable, accessible, and integrated housing for persons with special needs. (Page 122-123)

HUD designates people with disabilities among those with the 'Worst Housing Needs'. This is certainly true in Texas. TDHCA should target housing development and programs that serve the needs of people at 30% and below of MFI. SSI, the disability social security payment, is about \$550 a month, which equates to around 15% of MFI, and this should be a target population for TDHCA's low income housing planning and activities.

This requirement will go a long way toward addressing the critical shortage of affordable, accessible integrated housing across our state. Lack of such housing is a major barrier for people with disabilities to achieve independence and maximize their productivity in our society. TDHCA is making an important commitment to help address this problem in a proactive way through the allocation of these funds and should be strongly commended for this pioneering approach.

Past failures by developers to comply with accessibility requirements and failures on the part of the local, state and federal governments to enforce accessibility requirements in housing have meant the loss of thousands of units that could and should have been made accessible and affordable. We cannot state strongly enough how important we believe this requirement is! In addition, we feel that *any violation* of the Section 504 Requirements should be a *material violation*. Existing and future TDHCA projects should be surveyed to ensure compliance. Those found out of compliance should be made to correct their mistakes immediately.

Department Response: The Department agrees with the importance of serving extremely low income populations. In FY 2002, the Department committed approximately \$39,000,000 towards those making 0-30% of AMFI.

With regard to violations of Section 504: If a property does not meet appropriate standards, there are several courses of action that may follow. Initially, the housing sponsor is required to rectify the situation to ensure compliance with the accessibility standards. In the event that the housing sponsor refuses or is unable to make appropriate changes, the Department requires that the funds be returned. Any housing sponsor that fails to follow the rules, regulations, or laws associated with their award may also be found to be in material noncompliance and be denied future funding from the Department.

Comment: GOAL 9: TDHCA will increase collaboration between organizations that provide services to special needs populations and organizations that provide housing. (Page 123-124)

While there is a need for increased housing and support services for people with disabilities, ADAPT strenuously advocates separation of these services. We do not support housing that is tied to support services. An individual with a disability who is low income may need housing assistance and may also need attendant care or other support. The collaboration with the DAC can be very helpful, but the way this goal is written it could easily be interpreted to mean services tied to housing, and that is a slippery slope, in our view, to institutional living. We believe Nursing Homes and Convalescent Homes should not be listed under Facilities Providing Shelter for Persons with Special Needs.

Department Response: The Department believes that linking housing and services is intended to be of benefit to the tenant, but that under no circumstances should use of these services be mandatory for residents.

Final Approval of the 2003 State of Texas Consolidated Plan – One Year Action Plan

Background

The *2003 State of Texas Consolidated Plan – One Year Action Plan* is submitted in compliance with 24 CFR 91 Consolidated Plan Submissions for Community Planning and Development Programs made effective on January 5, 1995.

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

The Plan serves in the following capacities:

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

In addition, the Plan includes the following specific information: Regarding CDBG, the Plan includes "urgent needs" activities and the method of distribution and description of all selection criteria. Concerning the HOME program, the Plan describes other forms of investment that are not described in section 92.205(b). In addition, the HOME program must state the guidelines for resale or recapture if the State intends to use HOME funds for homebuyers. Concerning ESG, the Plan states the process for awarding grants and describe how the State intends to make allocations available to units of local government and nonprofit organizations. Lastly, concerning HOPWA, the Plan states the method of selecting project sponsors.

Citizen Participation

The citizen participation process for the *2003 State of Texas Consolidated Plan – One Year Action Plan* began in October of 2002 with five public hearings where constituents were given the opportunity to make general comments on the direction of all Department programs. A draft version of the Plan was then developed and submitted to a 32-day public comment period (October 28, 2002—November 28, 2002), as well as six additional public hearings. During this time citizens and organizations were encouraged to submit written or oral comments. Below is a listing of the public hearing's locations, dates, and number of attendees:

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Summary of Proposed Changes from 2002 One Year Action Plan

The only substantial change from the 2002 Plan is with regard to a newly created set aside for Olmstead populations within the HOME Program. In an effort to address the Supreme Court Olmstead Decision (related to the de-institutionalization of persons with disabilities), for PY 2003, TDHCA is proposing allocating \$2,000,000 towards those populations outlined in §531.055, Texas Government Code.¹ These funds will be used for tenant based rental assistance, including security deposits.

¹Institutional housing meaning: (a) an ICF-MR, as defined by Section 531.002, Health and Safety Code, (b) a nursing facility; (c) a state hospital, state school, or state center maintained and managed by the Texas Department of Mental Health and Mental Retardation; or (d) an institution for the mentally retarded licensed or operated by the Department of Protective and Regulatory Services. Note that SB 367, from the 77th Legislative Session, expanded the state's definition of the Olmstead Population to include not only those individuals who had been

Summary of Proposed Changes from 2003 Draft

A summary of all comments received during the public comment period and the Department's responses is attached and will be included in the final version of the Plan (The Board Approval Version of the Plan may be accessed from the TDHCA web site at www.tdhca.state.tx.us).

The majority of comments related to and resulted in minor language clarifications. The only proposed policy change from the draft version of the Plan is with regard to Community Housing Development Organization (CHDO) eligible activities within the HOME Program. Previously CHDOs could apply for the acquisition, rehabilitation, or new construction of multifamily rental housing, or for homebuyer assistance if their organization is the owner, developer, or sponsor of the single family housing project. The Department proposes making the acquisition, rehabilitation, and new construction of single family housing (through direct funding or loan guarantees) an eligible activity.

Proposed Action

Final approval of the Plan.

served in a state mental health facility for twelve months, but also those individuals who had three inpatient hospitalizations within a 180-day period to a TDMHMR facility (State hospital) to be presumed at imminent risk of institutionalization.

Summary of Public Comment and Department Responses

ESG

Community Services solicits comment directly from more than 1,091 interested parties on the Department's mailing list and received 36 comments as follows:

- 21 (58.3%) supported the need for continued funding of the Emergency Shelter Grants program.
- 8 (22.2%) included statements about their particular local program.
- 5 (13.9%) inquired about specific eligibility issues for their particular program which required individual follow up.
- 2 (5.6%) comments required responses. These issues have been summarized below, along with the Department's response.

Comment: Community Action has partnered with the Hays/Caldwell Women's Center for the past four years in the operation of an ESGP program for those counties. The Women's Center operates an emergency shelter, and we operate the homelessness prevention program. While we understand the rationale behind requiring an eviction notice to be eligible for homelessness prevention services, we think it would be helpful to consider or add a well thought out alternative. Many families who experience a sudden reduction in income (or increase in expenses) know that they will lose their home in the near future. They want to do something about it before they get evicted. We would like to be able to assist in this...We would appreciate it if the department would consider making a policy change in this regard...

Department Response: Homelessness Prevention is one of the eligible activities for ESGP and the eligibility requirements are included in 42 U.S.C. Section 11371 *et seq.*, which itemizes the activities for which ESGP funds may be used, including "efforts to prevent homelessness such as financial assistance to families who have **received eviction notices or notices of termination of utility services...**" A change in this policy would have to be precipitated by a change in the ESGP enabling legislation.

Comment: I think the ESG grant program should include Residential Treatment Facilities because the majority of the youth when they turn 18 and CPS (Child Protective Services) let them go, they have nowhere to go.

Department Response: According 42 U.S.C. Section 11302 (a), homeless individuals are defined as those who lack a "fixed, regular and adequate nighttime residence; and a supervised publicly or privately operated shelter designed to provide **temporary** living accommodation..."

Individuals who reside in Residential Treatment Facilities typically do not meet the definition of homelessness because the facilities are not considered to be "temporary."

The Department recognizes the fact that a great deal of need exists for funds to assist those in need and who are homeless or threatened with homelessness for various reasons. In response to the annual ESGP application, we usually receive requests that exceed the amount of funds available by approximately 300 percent.

However, ESGP funding is designed to be "the first step in a continuum of assistance" and the funds must be used in accordance with the provisions of the enabling legislation.

HOME

Comment: CHDO Eligible Activities

The Department should include the acquisition and construction of single family houses as a CHDO eligible activity.

Department Response: The Department concurs that single family acquisition, rehabilitation, and new construction through either direct funding or a loan guarantee should be a CHDO eligible activity. The information will be included in the final version of the Plan.

Comment: The Department has encouraged the development of housing that meets the needs of people with disabilities in the 2003 State of Texas Consolidated Plan. We appreciate the Department's efforts to list specific support such as the commitments in the HOME Program:

- 5% set aside for persons with disabilities that includes continued support for the Texas Home of Your Own Program.
- A \$2 million set aside for rental assistance for Olmstead populations that supports the de-institutionalization of persons with disabilities.
- Establishing a higher amount of downpayment assistance funding available for eligible homebuyers with disabilities.
- Compliance with Senate Bill 623 which provides universal design features in new single family home construction by organizations receiving TDHCA funding.
- We also want to express support for the proposed Integration Policy for people with disabilities.

Comment: We recommend that the Department commit funds for barrier removal programs in HOME and the Housing Trust Fund Programs.

Department Response: Architectural barrier removal is an eligible activity under the HOME and Housing Trust Fund programs. The Department does not believe that a separate program needs to be developed to address this need. No change proposed.

Comment: HOME Investment Partnerships Program 2003 Action Plan (page 51)

Allocation of PY 2003 Funds

The Council applauds the Department for the set-asides for persons with disabilities and for committing \$1,000,000 for the support for the Texas Home of Your Own Program.

Comment: Definitions (page 52)

The Council is charged under federal law to represent the needs of people with developmental disabilities which means that the onset of the disability occurred prior to the age of 22. However, in the context of the Department's work, it would seem that adoption of the definition of person with a disability be either the one in the U.S. Department of Housing and Urban Development, 25 CFR 582.5 or the definition adopted in the Americans with Disabilities Act of 1990. The Americans with Disabilities Act of 1990 defines a person with a disability as:

- (2) Disability. - The term "disability" means, with respect to an individual
 - physical or mental impairment that substantially limits one or more of the major life activities of such individual;
 - (B) a record of such an impairment; or
 - (C) being regarded as having such an impairment.

Department Response: The Department concurs and will only list HUD's definition of person with a disability.

Comment: Universal Design Features as required by §2306.514, Texas Government Code. (Page 52 and page 53)

The features listed in this section are often called "visitability features." This means that anyone with a mobility impairment can have access to the dwelling to visit. These features are not the same as the Universal Design. The National Institute on Disability and Rehabilitation Research (NIDRR) funded the creation of The Center for Universal Design. Its purpose is to improve the quality and availability of housing for people with disabilities, including disabilities that result from aging. The founder of the Center, Ronald L. Mace, defines universal design as "the design of products and environments to be usable by all people, to the greatest extent possible, without the need for adaptation or specialized design." The Center notes that: "The intent of universal design is to simplify life for everyone by making products, communications, and the built environment more usable by as many people as possible at little or no extra cost. Universal design benefits people of all ages and abilities." (<http://www.design.ncsu.edu/cud/nightsky/aboutus.htm>, NC State University, The Center for Universal Design, 1997).

The draft of the 2003 State Low Income Housing Plan and Annual Report briefly discusses adaptive design and universal access on page 89.

Department Response: Staff concurs that use of the term universal design is inaccurate and will change the wording to basic access standards.

Comment: Description of Set-Asides, CHDO Set Aside, Rental Housing Development (page 55) The Council would suggest for the convenience of the readers that the U. S. Code and Code of Federal Regulation associated with the implementation of Section 504 of the Rehabilitation Act be cited.

Department Response: The Department believes that the existing language is sufficient. No change proposed.

Comment: Set-aside for People with Disabilities: We support the 5% set aside for people with disabilities (HOME Program).

Comment: Tenant-Based Rental Assistance: We strongly support the 2 million dollars in tenant-based rental assistance, which will be set-aside to serve individuals with disabilities, which falls under the 1999 U.S. Supreme Court Olmstead decision. (HOME Program)

Comment: Allocation of PY 2002 and 2003 Fund (p. 51)

ADAPT is extremely supportive of the funds allocated both for persons with disabilities and for the Set Aside for Rental Assistance for the Olmstead Population. These are both extremely important because the stock of affordable housing is diminishing in most parts of the state. The Olmstead rental assistance addresses a need as our state works to ensure that no one is forced to stay in a nursing home or other institution; lack of affordable, accessible housing is often a primary barrier, especially given some of the support service funding modifications that have been made over that last couple of years. This initiative will play a critical role in ensuring the success of persons with disabilities who can and want to live in the community.

Comment: Definitions Persons with disabilities. (p.52)

The first section of this definition should be all you include here. The inclusion of the definition of persons with developmental disabilities is redundant, unnecessary and offensive to some in the disability community; everyone who meets the developmental disability definition meets the definition of persons with disabilities so why have both? There are many categories of persons with disabilities who are referred to separately in this document (people with AIDS are people with disabilities, as are people with mental health or mental illness issues – yet you don't include a separate definition for them under the umbrella definition.

In addition under number 5 here you seem to revert back to the broad definition in the third line, starting with Notwithstanding... It seems this last couple of sentences might better define disabled household (we believe that may be the term used in the HOME policies, as it is in the Section 8 policies) and it makes much more sense that way that to say that disabled person is more than one person combined.

Department Response: The Department concurs that there is no need to specifically list the definition of developmental disability and will remove it from the final version of the Plan.

Comment: Universal Design Features. This definition is describing the Texas Visitability Act. Universal design is much more comprehensive and it is misleading to refer to Visitability as Universal Design, even though some people do this. The two are not the same at all. You really should change this, here and where ever else in the document visitability is referred to as universal design. If you don't like the term visitability you would do better by using something like basic access standards.

Department Response: The Department concurs that use of the term universal design is inaccurate and will change the wording to basic access standards.

Comment: Description of Activities, Homebuyer Assistance (p. 53)

ADAPT applauds the inclusion of architectural barrier removal construction costs as an allowable activity. Funding for such changes is expensive for a low-income family and is rarely covered. This addresses a real need! In addition, the

allowable \$15,000 for down payment costs for persons with disabilities is another innovation that will allow the opportunity for many lower income persons with disabilities who might not otherwise be able to afford to buy a home.

Reference here to universal design should instead refer to visitability or basic access standards – or referring to the law. ADAPT would like to know who inspects these projects and how compliance is enforced both in the homebuyer assistance **and Owner-Occupied Housing Assistance.**

Department Response: The Department concurs that use of the term universal design is inaccurate and will change the wording to basic access standards.

Only those properties that are re-constructed are required by §2306.514, Texas Government Code to adhere to the basic access standards. Currently the HOME Program staff are responsible for inspections during the construction phase of work. If a property does not meet appropriate standards, there are several courses of action that may follow. Initially, the housing sponsor is required to rectify the situation to ensure compliance with the accessibility standards. In the event that the housing sponsor refuses or is unable to make appropriate changes, the Department requires that the funds be returned. Any housing sponsor that fails to follow the rules, regulations, or laws associated with their award may also be found to be in material noncompliance and be denied future funding from the Department.

Comment: Rental Housing Preservation (p. 54)

ADAPT applauds the inclusion of a reference to Section 504 here! Too often no mention is made of this critical law. We also applaud the inclusion of the integration requirement. This is fantastic! It will go a LONG way toward eliminating many problems in housing for people with disabilities.

Comment: Descriptions of Set Asides, Rental Housing Development (p. 55)

The inclusion of 504 here is excellent, as is the emphasis on the rent restriction requirements.

Comment: Descriptions of Set Asides, Persons with Disabilities (p. 55)

TDHCA is to be commended for this set aside. The scarce availability of housing which is affordable to people with disabilities living on benefits is creating a crisis. This set aside is terribly important! ADAPT commends the inclusion of the integration policy in this section. In addition, ADAPT commends TDHCA for including a portion of these funds for Home of You Own, HOYO. HOYO, while truly creatively addressing the needs of the lowest income folks and making homeownership a reality for people that others laugh at serving, gets little support from other PJs. TDHCA should be highly praised for supporting their efforts.

Comment: Descriptions of Set Asides, Olmstead Population (p. 55)

Of all the positive things TDHCA has included in this Annual Plan, ADAPT believes this set aside to be the greatest. People with disabilities who have for too long been forced into institutional living have finally had their right to freedom recognized by the Supreme Court. While advances are being made in the area of support services, for many people the lack of affordable, integrated housing is THE remaining barrier. TDHCA has made a significant effort to address that barrier. ADAPT *is* concerned that since services in rural areas are less available, many people may need to move to more urban communities, yet with the restrictions on TDHCA funding that require most of the funds to go to rural areas (a concept ADAPT generally supports very much) we are concerned that the vouchers funded by this set aside may miss the mark to some degree – we are not clear if the exemption from the Regional Allocation formula will completely address this problem or not, but wanted to call attention to it in case the exemption did not.

Comment: FUND DISTRIBUTION, Special Needs Populations (p.57)

ADAPT is not clear what is meant by “mentally disabled” and recommends this be clarified, if this special funding formula is used. Is that persons with psychiatric disabilities? People with mental retardation? Brain Injuries?

Additionally, ADAPT questions what the scoring criteria will be, and why they are needed. This could be extremely discriminatory toward persons with specific kinds of disabilities and ADAPT believes this should be spelled out to the public and approved by the TDHCA Disability Advisory Task Force before any such criteria are adopted.

Again, ADAPT applauds the inclusion of the integration policy in this section.

Department Response: Texas Health and Safety Code, Section 531.001, requires TDHCA and the Texas Department of Mental Health and Mental Retardation to implement a program to “demonstrate the effectiveness of interagency cooperation for providing supported housing services to individuals who reside in personal care facilities.” The scoring criteria is the Department’s response to the requirement.

Other TDHCA Programs/Issues

Comment: Increase the monitoring effort of recipients for compliance with all state and federal requirements for accessibility by requiring submittal of a “self-evaluation” to be included in the application prior to funding. This self-evaluation should include all offices, and model, or other facilities used by the recipient to provide services.

Department Response: The Department concurs that a self-evaluation would be helpful to the Department as well as its applicants. In 2003, the Department will research and develop a tool that will be used in its Uniform Application for 2004 funding cycles.

Comment: Undertake a capacity building effort to provide technical assistance to potential grantees and others through out the state on the successful program model to develop consumer driven (consumer decides what is needed) barrier removal services for people with disabilities.

Department Response: The Department believes that there is a need for technical assistance with regard to affordable housing programs as a whole. The Department is currently in the process of re-evaluating its delivery of capacity building/technical assistance and hopes to be able to more effectively provide serves to local communities.

Comment: Compliance With Anti-discrimination Laws. (page 11)

We noticed that while Section 504 of the Rehabilitation Act of 1973 is referred to and noted in other parts of the text, it is absent in the list of anti-discrimination laws. To be thorough, the Council would urge the Department to also cite Section 504 of the Rehabilitation Act of 1973 in this part of the document.

Department Response: While the forms utilized in the One Year Action Plan are pre-prescribed by HUD, the staff concurs that there should be reference to Section 504. The language will be added to the certification form.

Comment: Policy of Integrated Housing for People with Disabilities (Page 55 and 57)

The Council strongly supports the Department’s draft policy and definition of integrated housing.

Comment: Other Actions – Compliance Monitoring (page 65)

The Council requests a statement of clarification relating to Department’s efforts to ensure compliance to Section 504 of the Rehabilitation Act, Fair Housing as it relates to accessibility standards, and Texas Government Code §2306.514 be included in this section.

Department Response: The Department concurs and will include such language in the final version of the Plan.

Comment: Other Actions – Housing Trust Fund: Remove Barriers to Affordable Housing (page 68)

The Council suggests this category of services also include reference to the removal of architectural barriers.

Department Response: The Department concurs and will add such language in the final version of the Plan.

Comment: Integrated Housing Definition: The committee strongly supports the proposed integrated housing definition, which will apply to all programs at the Texas Department of Housing and Community Affairs.

Comment: Barrier-Removal Programs: The committee strongly supports an increase for barrier removal programs around the state. There is an incredible need for assistance for people with disabilities, who need access to their own homes. In accessible housing is substandard for people who need access. If you are a prisoner in your own home, because you cannot get in and out independently, due to lack of accessibility features, such as a ramp, railing, accessible fire alarm, or other accommodations, your housing is substandard. Support is needed to increase the number of architectural barrier removal programs in the state, so people with disabilities, can live independently. These programs must be consumer-driven. Technical assistance needs to be provided to communities to help them develop these programs. Again, we ask the department to increase, their allocations of funds and technical assistance toward this initiative.

Department Response: Architectural barrier removal is an eligible activity under the HOME and Housing Trust Fund programs. The Department does not believe that a separate program needs to be developed to address this need. The Department concurs that there is a need for technical assistance with regard to affordable housing programs as a whole. The Department is currently in the process of re-evaluating its delivery of capacity building/technical assistance and hopes to be able to more effectively provide serves to local communities.

Comment: The Texas Depart of Housing and Community Affairs 2003 State Consolidated Plan One Year Action Plan has many important elements. Especially exciting is the TDHCA's Set-Aside for "the Olmstead Population" (described under Section 3: Program Statements, Description of Set Asides.) TDHCA is making an important commitment to help address this problem in a proactive way through the allocation of these funds and should be strongly commended for this pioneering approach. In addition the commitment to integrated housing, housing that integrates people with and without disabilities, is highly commendable! TDHCA has taken important steps toward meeting the housing goals and needs of Texans with disabilities, and while there are still areas where ADAPT of Texas feels more could be done, we would like to strongly support the positive steps that have been taken and are reflected here.

Many individuals with disabilities are very low income, receiving only SSI. Rental subsidies are critical for people to keep a roof over their heads. TDHCA should continue to apply for and encourage local communities to apply for all possible vouchers. Additionally, the Department should strategize to discover ways to maximize rental subsidies for low-income people with disabilities. ADAPT would like to acknowledge the ingenuity behind TDHCA's allocation of HOME Funds to assist people with disabilities obtain housing.

HUD designates people with disabilities among those with the 'Worst Housing Needs'. This is certainly true in Texas. TDHCA should target housing development and programs that serve the needs of people at 30% and below of MFI. SSI, the disability social security payment, is about \$550 a month, which equates to around 15% of MFI, and this should be a target population for TDHCA's low income housing planning and activities.

Department Response: The Department agrees with the importance of serving extremely low income populations. In FY 2002, the Department committed approximately \$39,000,000 towards those making 0-30% of AMFI, and will continue to develop innovative ways to serve this population.

Comment: Meeting Underserved Needs (p. 66)
ADAPT applauds the QAP priorities included here.

Comment: Remove Barriers to Affordable Housing (p. 66)
LIHTC literature, seminars and workshops would also be a good place to educate developers and other housing professionals regarding the Olmstead decision, as well as the access requirements of Fair Housing, 504 and the Texas Visitability Act.

Department Response: The Department concurs and will have these topics included in LIHTC sponsored workshops.

Comment: Foster Public Housing Resident Initiatives (p. 67)
This could also be an excellent opportunity to education public housing officials and residents regarding Olmstead and the right of people with disabilities to live in the most integrated setting.

Department Response: The Department concurs and intends to work with local public housing authorities with regard to education on Olmstead issues.

Comment: Housing Trust Fund (pp. 67-68)

This section should also reference the Integration Policy, especially given the 10 of the units are set-aside for “special needs populations”.

Department Response: The Department concurs and will include the language in the final version of the Plan.

Comment: Multifamily Bond Program. (p. 69)

This section should also reference the Integration Policy.

Department Response: The Department concurs and will include the language in the final version of the Plan.

CDBG

Comment: II. Allocation of CDBG Funds (page 22)

A. Available Fund Categories

3d Colonia Self-Help Centers Fund.

The Council suggests that part of the purpose of each Colonia Self-Help Center should be to increase skills in the construction of accessibility features and architectural barrier removal. Developing such expertise will be beneficial in raising community awareness of accessible features in housing as well as increasing local expertise in barrier removal.

Department Response:

In accordance with Section 2.15 of Senate Bill No. 322, 77th Texas Legislature, Regular Session, the Department entered into a Memorandum of Understanding with the Office of Rural Community Affairs (ORCA), to transfer federal Community Development Block Grant (CDBG) funds from ORCA to the Department for the administration, operation, and program activities of the Department’s Border Field Offices and the Colonia SHC’s. It is understood and agreed that the Department shall continue to exercise oversight and supervision of the BFO’s and Office of Colonia Initiatives staff.

The Colonia SHC’s currently apply the accessibility features if the colonia resident is in need of this type of activity. However, we will continue encouraging the Colonia SHC’s to also incorporate the disability features as described in Chapter 2306, Subchapter X of the Texas Government Code in their construction training and other related activities.

Comment: II. Allocation of CDBG Funds (page 24)

A. Available Fund Categories

6b. Housing Rehabilitation Fund.

The Council supports the inclusion of accessibility standards through the use of this fund.

Department Response: The CDBG program is under the authority of the Office or Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: IV Application Selection Criteria (page 44)

B. Description of Selection Criteria by Fund Category

10. Housing Rehabilitation Fund

b. Project Design

The Council again supports the favor given to projects that include accessibility in the housing program design. We would also suggest that design standards are mentioned to clarify what is “accessible” for people who have a mobility or sensory impairment.

Department Response: The CDBG program is under the authority of the Office or Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: Colonia Fund and Colonia Construction Fund (pp. 21-23)

Many people living in Colonias are people with disabilities. Incidence of disability is higher in poverty communities, and communities with substandard housing and public works facilities. Given the urgent needs these funds are intended to address, it might be easy to overlook that the requirements of the Americans with Disabilities Act apply to facilities – including streets and sidewalks with curb cuts (p.22), that Fair Housing Act Amendments and Section 504 apply to housing built, improved and developed with these funds. However, it is critical that these requirements for access be included, lest we create double standards for those living in the Colonias, and for persons with disabilities who do or do not live in Colonias. People with disabilities living here have as much if not more need for access.

Demographic information collected should include disability information (p.21). Colonia Self Help Centers (pp.22-23) should include disability information among the monthly program topics and other services provided. Model home designs (p.22) should be visitable designs for single family, duplexes and triplexes, and meet Fair Housing and Section 504 guidelines for any multifamily housing model designs.

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: Disaster Relief/Urgent Need Fund (p.23)

Disaster Relief and Urgent Need often are addressing flash point situations, and the disaster and urgent needs of people with disabilities are often overlooked. (Certain disabilities can be gravely exacerbated by these kinds of situations). TDHCA and ORCA should explore with people with disabilities, ways that the needs of disabled Texans can be included in the planning for such situations and addressed through this fund, without preventing its important central function to address the disaster, etc.

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: Housing Infrastructure Fund (p. 24, 44)

These funds should only be used for integrated housing and this Annual Plan should reflect that requirement as well.

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: Housing Rehabilitation Fund (pp. 24-25, 44)

ADAPT applauds the inclusion of accessible housing for persons with disabilities in eligible activities under this fund. The need for funds to remove architectural barriers and make owner occupied and rental housing accessible is critical – across Texas. These projects should – for units already occupied by a person with a disability - be controlled by the person living in the unit (as opposed to relying on a doctor or similar “official profession” to decide what access modifications are required. For units not yet built, the access should meet applicable accessibility standards (Section 504 and Fair Housing Amendments Act). Too often doctors and other “official professionals” see persons with disabilities in only limited, medical circumstances and do not have a true understanding of the independent living needs of people with disabilities, nor of the options available to them. In addition, with the spectrum of abilities persons with the exact same disability may have, standard answers are not always the most usable.

These funds should only be used for integrated housing and this Annual Plan should reflect that requirement as well.

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: STEP Fund (p.25)

Project funded by STEP that include construction that affects streets and or sidewalks should include the requirement that curb cuts be added – as required by the Americans with Disabilities Act, ADA.

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: 1% Technical Assistance Funding (pp. 27-28)

TCDP should consider using some of these funds (or including in other projects funded by these funds) technical assistance on accessibility, visitability and compliance with disability laws like Section 504, Fair Housing Amendments Act and the ADA. Lack of compliance with these laws as well as lack of understanding of accessibility standards leads to numerous out of compliance (and therefore discriminatory) projects. Education and assistance on these requirements would go a long way toward addressing many of the goals of all departments involved!

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: 3rd Bullet: Street Paving, Drainage, Flood Control and Handicapped Accessibility. (p. 36)

Handicapped is a term many people with disabilities find offensive. A better alternative: Access for People with Disabilities.

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: c. Project Impact, Scoring ACTIVITIES, 3rd Bullet: (page 36) **Fire Protection, Health Clinics, and Facilities Providing Shelter For Person With Special Needs (Hospitals, Nursing Homes, Convalescent Homes) 145 – 125 Points**

People with disabilities need integrated housing opportunities that allow them to live as a normal part of their community. Nursing Homes and Convalescent Homes condemn people with disabilities to segregation. These facilities are not housing by any stretch of the imagination. Therefore, TDHCA should fund only projects that are in integrated settings, where people with disabilities live with people without disabilities. ADAPT would strongly discourage TDHCA from funding Nursing Homes or Convalescent Homes projects. The projects developed would not only be a violation to the Department's Integration Policy but to the Olmstead decision as well. The U.S. Supreme Court in the Olmstead v. L. C. decision held that unnecessary segregation and institutionalization of people with disabilities is unlawful discrimination under the ADA. Additionally, we believe Nursing Homes and Convalescent Homes should not be listed under Facilities Providing Shelter for Persons with Special Needs.

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: Other factors 2nd bullet

This should read, "...needs such as water, sewer and *affordable, accessible, integrated* housing..."

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: Texas Capitol Fund – Main Street Improvements Program (p. 39-40)

You should include a category *g. improves accessibility of the downtown for people with disabilities.*

Many small towns in Texas need a good deal of work in this regard, and many people with disabilities live in these towns and struggle with lack of access. These towns are often not very well funded to improve access on their own dime.

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Comment: Other 2003 CDBG Program Guidelines (pp. 46-47)
TDHCA's Integration Policy should be added here.

Department Response: The CDBG program is under the authority of the Office of Rural Community Affairs (ORCA). Public comments have been forwarded to that agency and will need to be addressed by their governing board.

Proposed Integrated Housing Policy

Background

An issue of particular concern for the past year to advocates for persons with disabilities involves the Department's policies related to integrated housing. Integrated housing, as defined by SB 367 as passed by the 77th Texas Legislature, is "housing in which a person with a disability resides or may reside that is found in the community but that is not exclusively occupied by persons with disabilities and their care providers." The Department, with the assistance of the TDHCA Disability Advisory Committee, has developed an integrated housing policy that will be utilized by all Department housing programs.

Citizen Participation

A draft version of the policy was submitted to a 32-day public comment period (October 28, 2002—November 28, 2002), as well as six public hearings. During this time citizens and organizations were encouraged to submit written or oral comments. Below is a listing of the public hearing's locations, dates, and number of attendees:

- **Harlingen** (November 4): **11**
- **El Paso** (November 6): **13**
- **Galveston** (November 7): **6**
- **Greenville** (November 12): **26**
- **Jasper** (November 13): **10**
- **Austin** (November 14): **10**

Summary of Proposed Changes from Draft

The comments received resulted in minor language clarifications in the policy.

The final version of the policy, as well as a summary of comments and the Department's responses are attached.

Proposed Action

Approval of the policy and permission to continue with formal rule making procedures.

Integration of People with Disabilities

“For the better part of a century, the official policy of the United States was to segregate people with disabilities from “normal” society. Beginning in the late 1950s and early 1960s, a national policy of community living developed, inspired in part by notions of civil rights and human decency...”¹

The Texas Department of Housing and Community Affairs is committed to the goal that people with disabilities in Texas deserve to live in affordable, accessible and integrated housing. Further, in accord with Title II of the Americans with Disabilities Act of 1990 and the subsequent U.S. Supreme Court’s Olmstead decision, the Department is committed to providing people with disabilities the opportunity to live in the most integrated setting, independently or with friends and family. The Department provides resources, including capacity building funds, that result in the development of integrated housing as defined below.

In addition, the Department is committed to promoting the spirit of the Federal Fair Housing Act and Section 504 of the Rehabilitation Act of 1973, which includes a prohibition on the segregation of tenants with disabilities to certain areas of developments.

Census data indicates that 18% of the U.S. population has a disability (as defined by the Americans with Disabilities Act).

Texas Department of Housing and Community Affairs will:

- fully support projects that offer housing for people with disabilities that provides for integration into the general population;
- support large projects (50 or more units) that provide no more than 18% of the units of a multifamily development set-aside for people with disabilities. These units should be dispersed throughout the development;*
- support small projects (less than 50 units) that provide no more than 36% of the units of a multifamily development set-aside for people with disabilities. These units should be dispersed throughout the development;*
- support scattered site development and tenant based rental assistance, even if up to up to 100% of units are set aside for person with disabilities;
- not support permanent multifamily housing developments that restrict occupancy to only people with disabilities or people with disabilities in combination with other ‘special needs populations’.

*Please note that the set aside percentages outlined above refer only to the units that are to be solely restricted for persons with disabilities. The policy does not prohibit a property from having a higher percentage of occupants that are disabled, it simply requires that a property not market entirely, nor limit occupation to, persons with disabilities or other special needs populations. This policy does not apply to people who are elderly.

The Department offers the following definitions and guidelines intended to govern the policy of integrated housing for people with disabilities.

DEFINITIONS

General population: meaning not segregated by type of disability or ‘special needs’ status (e.g. elderly, homeless, victims of domestic violence etc.).

Integrated housing: Integrated housing is defined as normal, ordinary living arrangements typical of the general population. Integration is achieved when individuals with disabilities choose ordinary, typical housing *units* that are located among individuals who do not have disabilities or other “special needs”. Regular, integrated housing is distinctly different from assisted living arrangements.

Transitional housing: The integration policy applies to permanent housing. Transitional housing is exempt from the policy, but must be time limited, with a clear and convincing plan for permanent integrated housing upon exit from the transitional situation.

¹ Michael Allen, Director of Housing Programs, Judge David L. Bazelon Center for Mental Health Law, in *The NIMBY Report* (2002), National Low Income Housing Coalition.

Scattered Site: One- to- four family dwellings located on sites that are on non-adjacent lots, with no more than four units on any one site.

Services: Tenant participation in services cannot be required.

Multifamily development: A project that contains five or more housing units.

EXAMPLES

Compliance with the Integration Policy

1. A CDC builds a multi-family development of 50 units. Within the 50 units, the developer has designated 9 units for people with disabilities. (18%). The 9 units are scattered throughout the new development, not clustered in one area.
2. A service provider wants to develop 9 units of housing for people with disabilities. They partner with a CDC building affordable housing for low income families. The service provider brings a portion of the construction funding to the deal. The result = people served by this service provider have access to 9 of 50 new multi-family housing units, scattered throughout the development.
3. An organization applies for a Section 811 grant and seeks additional funding from TDHCA. The grant will provide for 16 scattered site duplexes in the southwest portion of the city.

NON-compliance with the Integration Policy

1. A CDC builds a multi-family development of 50 units. People with disabilities and people who are elderly will occupy all 50 units.
2. A service provider wants to develop 10 units of housing for people with disabilities. They conduct a capital campaign, obtain some conventional funding, and approach TDHCA with a financially sound deal, requiring just a small amount of funds to complete. All 10 of the new units will be occupied by clients of the service provider.
3. An organization applies for a Section 811 grant and seeks additional funding from TDHCA. The grant will provide for 32 units on a “campus” in the southwest portion of the city.

Summary of Public Comment and Department Responses

Comment: Why not add the definition of general population to the definitions section of the policy instead of including only that definition in the body of the policy?

Department Response: The Department concurs and will make the suggested change in the final version of the policy.

Comment: In the list of bulleted items of what the TDHCA will do, for parallel construction, you could change that bullet to read: support scattered site development and tenant based rental assistance even if up to 100% of the units are set aside for persons with disabilities.

Department Response: The Department concurs and will make the suggested change in the final version of the policy.

Comment: In the past this policy has been misunderstood as meaning that no development could have more than 18% or 36% of the units occupied by people with disabilities. In order to clarify that that is not the intent, you might want to add a definition of set-aside in the definitions section. A possible definition could be:

Set aside: Units whose occupancy, in the case of this policy, is restricted by funding or land use requirements to people with disabilities.

Department Response: The Department concurs that there has been significant misunderstanding with regard to the intent of the policy. Appropriate language will be added to differentiate the meaning of set aside units in the final version of the policy.

Comment: Another definition that might avoid future misunderstandings is a definition of scattered site. A possible definition is:

Scattered Site: One- to four- family dwellings located on sites that are on non-adjacent lots, with no more than four units on any one site.

Department Response: The Department concurs that the definition of scattered site needs to be included in the final version of the policy.

Comment: I would like to ask for clarification on the bullet point out of your proposed definition that reads: Support large projects (50 or more units) that provide no more than 18% of the units of a multifamily development set-a-side for people with disabilities;

Suppose we get a TDHCA grant on a 52 unit apartment complex. At the time of the grant, we have 9 (18%) units in which the tenants are either mentally or physically disabled. Suppose a person comes into our leasing office who is mentally or physically disabled and asks for an apartment. He wants to rent an apartment in this 52 unit complex. If we rent to him, we will be over the 18% allowable quota, so we would jeopardize our grant. However, if we do not let him have the apartment, we would be in violation of the Fair Housing law. This puts us in jeopardy both ways—so what do we do?

Department Response: The percentages outlined in the policy refer only the units that are to be **solely restricted** for persons with disabilities. The policy does not prohibit a property from having a higher percentage of occupants that are disabled, it simply requires that a property not market entirely, nor limit occupation to, persons with disabilities or other special needs populations.

Comment: I understand why you are using the 18% to determine how many disabled tenants to allow. However, I would like for you to look beyond the one statistic. If you assume that 18% of the population is disabled, then you should be able to assume that within each apartment complex across Austin, 18% of the units are designated or filled with disabled individuals. In reality, I don't think that is true. I think you will find that the percentage of apartment units is going to be far less than 18% in most complexes. Most apartment complexes will have the mandatory 5%, and assuming that there is a disabled person in the accessible apartments, it leaves a 13% gap.

So what does a disabled person do? He or she will go to an apartment complex where they can find affordable accessible housing, irregardless of the percentage of disabled tenants. For those organizations that have accessible apartments and do not discriminate, there is going to be a higher percentage than the national average of 18% to accommodate more disabled individuals living in their apartments. And they are providing a safe, clean and decent place for them to live

I am wondering if an unintended consequence of this definition will lead to more homeless disabled individuals because they will not be able to find a place to live. Those organizations which are need of HOME funds will be required to stay within the 18% quota. An unintended consequence is that there will be fewer available apartment units for the disabled. Will we find more disabled with no options but the streets? I am afraid at some point there may be a class action lawsuit to increase affordable housing for the disabled.

There is a shortage of affordable housing in Austin. There is a greater shortage of affordable housing for the disabled. Why propose a definition that limits the number even more? TDHCA should focus on finding ways to increase the required percentage of accessible units from 5% to 18% instead of trying to limit the number of available accessible units. I feel a more positive approach is to find ways to increase accessible apartments not to limit the number of accessible units.

Department Response: The purpose of the policy is to ensure that properties funded by THDCA do not contribute to the segregation of persons with disabilities. In an effort to achieve this, the Department believes that it is appropriate to use a figure which represents the demographics of the state's population – thus the 18% figure.

The percentages outlined in the policy refer only the units that are to be **solely restricted** for persons with disabilities. The policy does not prohibit a property from having a higher percentage of occupants that are disabled, it simply requires that a property neither market entirely, nor limit occupation to, persons with disabilities or other special needs populations. The Department does not believe that limiting the set aside units within a property will result in homelessness, as federal law prevents the denial of housing based on a persons disability.

Comment: How will you be able to tell if an organization is giving TDHCA and accurate count of disabled tenants. Apartment complexes do not and cannot ask a potential tenant if they have mental illness, or if they receive disability payments. Many mentally ill and disabled tenants can be left uncounted. Others may ask us to keep the information confidential which may prevent us from counting them.

Department Response: The percentages outlined in the policy refer only the units that are to be **solely restricted** for persons with disabilities. The policy does not prohibit a property from having a higher percentage of occupants that are disabled, it simply requires that a property neither market entirely, nor limit occupation to, persons with disabilities or other special needs populations.

Comment: Does this definition related primarily to the physically disabled? Please clarify.

Department Response: The definition relates to any person that falls within the definition of person with a disability – this does include mental disabilities.

Comment: Refer to “Title II of the Americans with Disabilities Act of 1990 and the subsequent Olmstead decision,” instead of just “Olmstead.”

Department Response: The Department concurs and will make the addition in the final version of the policy.

Comment: Include the “not clustered” part in the definition such as “dispersed throughout the development and not clustered in one part of the development.”

Department Response: The Department concurs that the definition of not clustered needs to be included in the final version of the policy.

Comment: Add, “including units of different sizes (1 bedroom, 2 bedroom, etc.) and features, consistent with the rest of the development” as part of the definition.

Department Response: The Department believes that these issues are sufficiently covered through fair housing laws and does not require further clarification. No change proposed.

Comment: In regard to the Integrated Housing definition, one of the examples listed under the Non-Compliance with the Integration Policy describes exactly a USDA Rural Development 515 seniors property. These developments by federal definition and design are open to households ages 62 and above and the handicapped or disabled. These properties reach the lowest income in the most rural areas of any of the housing programs we have. We own and/or manage 35 of these type properties. They work wonderfully, meet a great need, and almost all have a long waiting list. Only about 10% of these people are handicapped/disabled non-elderly. This proposed policy needs to allow for this type of property, the ones already built and the ones to be built. I’m guessing that a HUD 202 would be the same as a RD 515/Seniors.

Department Response: The Department realizes that there are existing programs that encourage/require the segregation of persons with disabilities (and in some cases other special needs populations) such as HUD’s 811 program. The Department maintains that it is not good policy to encourage the segregation of persons with disabilities and will not fund projects that are in violation of the Integrated Housing Policy.

Comment: (4) As you are attempting to determine the integration policy for persons with disabilities as related to housing the proposed percentage of 18 percent of units be accessible is discriminatory. Tell other minority groups that they can only have 18% living there or cannot live next to someone of like minority and see what would happen! This kind of limitation only gives people more excuses to limit where we can live. This is called social engineering

Accessible affordable housing is very difficult to fund. To limit an organization that would like to build truly accessible housing in a community to 2 of every 10 units limits our choices and discourages small organizations from building 10 to twenty units. Allow the builder to make all units accessible and offer to the public. Select organizations that will be in it for the long haul and truly accessible with roll in showers that don’t exist.

Department Response: The percentages outlined in the policy refer only the units that are to be **solely restricted** for persons with disabilities. The policy does not prohibit a property from having a higher percentage of occupants that are disabled, it simply requires that a property neither market entirely, nor limit occupation to, persons with disabilities or other special needs populations.

The policy also does not make any restrictions on the number of units that are made accessible to persons with disabilities, on the contrary, the Department agrees that builders should be encouraged to make housing stock that is accessible.

Comment: By limiting accessible housing to only 18% of a property, you are telling people with disabilities that they don't have the right to live where they want to...Scattered site development is idea but it is not cost effective to build that way, which means that the units will not be in the affordable criteria. Eighteen percent is acceptable only if all the current apartments are at that rate, which is not the case. By limiting development to 18% you are not offering choices to persons with disabilities...If you think 18% is enough, I challenge you to go back to your respective cities, pick up an apartment guide and start calling start calling apartment complexes to find accessible units – then tell me the 59% COIL CDC is asking for is too much.

Department Response: The percentages outlined in the policy refer only the units that are to be **solely restricted** for persons with disabilities. The policy does not prohibit a property from having a higher percentage of occupants that are disabled, it simply requires that a property neither market entirely, nor limit occupation to, persons with disabilities or other special needs populations.

The policy also does not make any restrictions on the number of units that are made accessible to persons with disabilities, on the contrary, the Department agrees that builders should be encouraged to make housing stock that is accessible.

**Low Income Housing Tax Credit Program
Board Action Request
December 17, 2002**

Action Item

Request review and possible approval of four percent (4%) tax credit applications with other issuers for tax exempt bond transactions.

Recommendation

Staff is recommending that the board review and approve the issuance of four percent (4%) Tax Credit Determination Notices with **other issuers** for tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Recommended Credit Allocation
02046	Southern Oaks	Dallas	City of Dallas HFC	256	256	\$23,811,622	\$15,000,000	\$943,763
02456	Primrose SA Housing	San Antonio	Bexar County HFA	280	280	\$25,411,738	\$15,000,000	\$1,044,394
02457	The Park at Kirkstall	Houston	Harris County HFC	240	240	\$21,355,513	\$12,749,235	\$687,827



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **Southern Oaks Apartments**

TDHCA#: 02446

DEVELOPMENT AND OWNER INFORMATION

Development Location: Dallas QCT: Y DDA: N TTC: N
 Development Owner: Southern Oaks Housing, L.P.
 General Partner(s): Southern Oaks Development, LLC, 100%, Contact: Brian Potashnik
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: City of Dallas HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$954,468 Eligible Basis Amt: \$943,763 Equity/Gap Amt.: \$1,107,960
Annual Tax Credit Allocation Recommendation: \$943,763
 Total Tax Credit Allocation Over Ten Years: \$ 9,437,630

PROPERTY INFORMATION

Unit and Building Information

Total Units: 256 LIHTC Units: 256 % of LIHTC Units: 100%
 Gross Square Footage: 267,982
 Average Square Footage/Unit: 1028
 Number of Buildings: 13
 Currently Occupied: N

Development Cost

Total Cost: \$23,811,622 Total Cost/Net Rentable Sq. Ft.: \$90.47

Income and Expenses

Effective Gross Income:¹ \$2,141,501 Ttl. Expenses: \$968,385 Net Operating Inc.: \$1,173,116
 Estimated 1st Year DCR: 1.08

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Southwest Housing Management
 Attorney: True & Shackelford Architect: BGO Architects
 Accountant: Reznick, Fedder & Silverman Engineer: Pond Robinson
 Market Analyst: Butler Burgher Lender: Charter MAC
 Contractor: Affordable Housing Construction Syndicator: Related Capital Company

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Royce West, District 23 - NC
# in Opposition: 1	Rep. Yvonne Davis, District 111 - NC
	Mayor Laura Miller - NC
	Jerry Killingsworth, Director of Housing Development, City of Dallas; Consistent with the City of Dallas' local Consolidated Plan.

1. Gross Income less Vacancy

2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of final ratification and completion of rezoning.
3. Receipt, review, and acceptance of documentation reflecting the additional \$150K in site acquisition costs for tenant relocation expenses.
4. Receipt, review, and acceptance of documentation providing evidence that the recommendations listed in the Phase II investigation were followed.
5. Receipt, review, and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of this report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Charles E. Nwaneri, LIHTC Co-Manager

Date

David Burrell, Director of Housing Programs

Date

DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond Housing Type

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director
Chairman of Executive Award and Review Advisory Committee

Date

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

DATE: December 3, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 02446

DEVELOPMENT NAME

Southern Oaks Apartments

APPLICANT

Name: Southern Oaks Housing, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 5910 North Central Expressway, Ste. 1145 **City:** Dallas **State:** TX
Zip: 75206 **Contact:** Brian Potashnik **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PRINCIPALS of the APPLICANT

Name: Southern Oaks Development, LLC **(%):** .01 **Title:** General Partner
Name: Related Capital Company **(%):** 99.99 **Title:** Limited Partner
Name: Brian Potashnik **(%):** n/a **Title:** 100% owner of GP

GENERAL PARTNER

Name: Southern Oaks Development, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 5910 North Central Expressway, Ste. 1145 **City:** Dallas **State:** TX
Zip: 75206 **Contact:** Brian Potashnik **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PROPERTY LOCATION

Location: 3303 Southern Oaks Blvd. **QCT** **DDA**
City: Dallas **County:** Dallas **Zip:** 75216

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$954,468	n/a	n/a	n/a
Other Requested Terms:	<u>Annual ten-year allocation of low-income housing tax credits</u>		
Proposed Use of Funds:	<u>New Construction</u>		

SITE DESCRIPTION

Size: 13.7 acres 596,772 square feet **Zoning/ Permitted Uses:** CR-Community Retail *
Flood Zone Designation: Zone X **Status of Off-Sites:** Fully Improved

* Request for zoning change has been submitted.

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

DESCRIPTION of IMPROVEMENTS

Total Units: 256 **# Rental Buildings:** 13 **# Common Area Bldgs:** 1 **# of Floors:** 3 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
144	2	2	950
96	3	2	1,100
16	4	2	1,300

Net Rentable SF: 263,200 **Av Un SF:** 1,028 **Common Area SF:** 4,782 **Gross Bldg SF** 267,982

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab, 65% stucco/25% masonry veneer exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

Carpeting & vinyl flooring, range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, ceiling fans, laminated counter tops

ON-SITE AMENITIES

4,782-SF community building with activity room, management offices, laundry facilities, kitchen, restrooms, computer/business center, central mailroom, swimming pool, perimeter fencing, limited access gate

Uncovered Parking: 543 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

LONG TERM/PERMANENT FINANCING

Source: Charter Mac **Contact:** Marnie Miller

Principal Amount: \$15,000,000 **Interest Rate:** 6.75%

Additional Information: _____

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** None Firm Conditional

Annual Payment: \$1,086,042 **Lien Priority:** 1st **Date of Proposal** 10/ 31/ 2002

LIHTC SYNDICATION

Source: Related Capital Company **Contact:** Justin Ginsberg

Address: 625 Madison Avenue **City:** New York

State: NY **Zip:** 10022 **Phone:** (212) 421-5333 **Fax:** (212) 715-3550

Net Proceeds: \$7,312,000 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 82¢

Commitment None Firm Conditional **Date** 10/ 30/ 2002

Additional Information: _____

APPLICANT EQUITY

Amount: \$1,092,510 **Source:** Deferred Developer Fee

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

VALUATION INFORMATION

ASSESSED VALUE

Land:	\$240,850	Assessment for the Year of:	2002
Building:	\$60,110	Valuation by:	Dallas County Appraisal District
Total Assessed Value:	\$300,960	Tax Rate:	2.8028

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Unimproved Property Contract (13.77 acres)

Contract Expiration Date: 12/ 19/ 2002 **Anticipated Closing Date:** 12/ 19/ 2002

Acquisition Cost: \$ 900,000 **Other Terms/Conditions:** _____

Seller: Victor Ballas **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Southern Oaks Apartments is a proposed new construction development of 256 units of affordable housing located in Dallas. The development is comprised of 13 residential buildings as follows:

- Six Building Type A with 12 two-bedroom units and eight three -bedroom units;
- Two Building Type C with eight four-bedroom units;
- One Building Type D with 24 two -bedroom units; and
- Four Building Type G with 12 two -bedroom units and 12 three-bedroom units;

Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 4,782-square foot community building plan includes the management office, a waiting room, learning center, kitchen, restrooms, laundry facilities and maintenance room.

It should be noted that the development was originally proposed as a townhome complex comprised of 150 three- and four-bedroom units with attached garages. The revised information for the proposed change to a garden-style apartment complex with 256 two-, three- and four-bedroom units with only surface parking was received on October 23, 2002.

Supportive Services: The Applicant has contracted with Housing Services of Texas to provide the following supportive services to tenants: afterschool program in conjunction with local schools, adult education programs, health screening and immunizations, family counseling/domestic crisis intervention, computer education, emergency assistance and relief, community outreach programs, vocational guidance, social/recreational activities, state workforce development and welfare program assistance. These services will be provided at no cost to tenants. The contract requires the Applicant to pay \$2,000 per month for these support services.

Schedule: The Applicant anticipates construction to begin in November of 2002, to be completed in April of 2004, to be placed in service in and to be substantially leased-up in October of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. All of the units (100% of the total) will be reserved for low-income tenants earning 60% or less of AMGI. Although prospective tenants to be qualified at the 60% of AMGI or less income level, as a Priority 1 private activity bond lottery development, 100% of the units must have rents restricted to be affordable to households at or below 50% of AMGI.

Special Needs Set-Asides: The application did not specify that any of the units are specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments, however, the

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

Applicant has signed the certification confirming that the development will meet minimum accessibility requirements under Section 504, Rehabilitation Act of 1973.

Compliance Period Extension: By virtue of the tax-exempt bond/LIHTC financing, the development is obligated to remain affordable throughout a 30-year compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated October 7, 2002 was prepared by Butler Burgher, LLC and highlighted the following findings:

Definition of Primary Market: “As this area of Dallas has been slow to experience new development, a three-mile ring from 3303 Southern Oaks Boulevard has been chosen as the primary market for this analysis, with the secondary demand from a five-mile radius.” (p. 64)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	21	1%	21	1%
Resident Turnover	2,493	99%	2,504	99%
TOTAL ANNUAL DEMAND	2,514	100%	2,525	100%

Ref: p. 69

Capture Rate: The market analyst calculated a capture rate of 16.27% based on a supply of 409 unstabilized units (subject- 256 units and Oak Hollow-153 units) divided by a demand of 2,514. The market analyst did not include the Ewing Villas development currently just starting construction and scheduled to contain 80 units 60 of which are rent restricted. If all of these units are included in the market analyst’s inclusive capture rate it would rise to 19.5%. Another unstabilized tax credit development (Madison Point) is proposed to be developed just outside the 3 mile radius and contains 176 units 140 of which are rent restricted. The Underwriter calculated an inclusive capture rate of 24% based upon a revised supply of unstabilized comparable affordable units of 609 (subject-256 units, Oak Hollow-153 units, Madison Point-140 units and Ewing Villas- 60 units) divided by a revised demand of 2,525. It should be noted however that if the 56 unrestricted units in Madison point and Ewing Villas were included in the total unstabilized figure, the capture rate would increase to an unacceptable 26%.

Market Rent Comparables: The market analyst surveyed 7 comparable apartment projects totaling 2,058 units in the market area. (p. 98)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (60%)	\$687	\$687	\$0	\$825	-\$138
3-Bedroom (60%)	\$793	\$793	\$0	\$935	-\$142
4-Bedroom (60%)	\$877	\$877	\$0	\$1,050	-\$173

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =\$500, program max =\$600, differential = -\$100)

Submarket Vacancy Rates: “M/PF reflects 88.9% overall occupancy for 9,339 units in 2nd Quarter 2002 in the South Dallas submarket.” (p. 71)

Absorption Projections: “An absorption rate of 15 units per month is reasonable for the subject, as encumbered by LIHTC, resulting in just over a 12-month absorption period to obtain 100% occupancy...” (p. 71)

Known Planned Development: The market study did not identify any known planned developments. The Underwriter is aware of two developments awarded tax credits in 2001 and a development awarded tax credits in 2002. The total number of units for all three developments is 409 with 353 total tax credit units.

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

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the southern area of Dallas, approximately five miles from the central business district. The site is situated on Southern Oaks Boulevard.

Population: The estimated 2002 population of the primary market was 71,956 and is expected to increase to approximately 72,199 by 2007. Within the primary market area there were estimated to be 24,604 households in 2002.

Adjacent Land Uses: Land uses in the overall area in which the site is located are mixed with predominantly residential development. Adjacent land uses include:

- **North:** Vacant land zoned "CR"/floodplain/single family residential development
- **South:** Commercial along Illinois Avenue/single family residential
- **East:** Vacant MF-zoned land/commercial/single family residential
- **West:** Vacant "CR" zoned land/single family residential development

Site Access: Major transportation linkages include east/west IH 30 and Loop 12. Major north/south routes include IH 45, SH 342 (Lancaster Road), and IH 35E. IH 45 is less than one-mile from the subject, providing direct access to downtown Dallas.

Public Transportation: The proximity of public transportation stops to the subject is unknown.

Shopping & Services: The Dallas metropolitan area provides a wide range of shopping and services.

Special Adverse Site Characteristics: The subject property is currently zoned CR-Community Retail District and the Applicant has submitted an application for a zoning change to MF-2(A) Multifamily District. The Applicant submitted a letter from the City of Dallas Planning and Development Department dated November 26, 2002 indicating that on November 13th the City Council closed the public hearing on this zoning case and approved the case subject to deed restrictions volunteered by the applicant. The Council requested that the ordinance granting the zoning change and the resolution accepting the deed restrictions be placed on a future agenda. The ordinance and resolution are scheduled for the December 11, 2002 agenda. Thus the rezoning appears to be approved subject to final ratification of the deed restrictions.

Site Inspection Findings: TDHCA staff performed a site inspection on November 3, 2002 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated September 30, 2002 was prepared by Butler & Burgher, LLC and contained the following:

"Butler Burgher makes the following significant conclusions based on our Phase I ESA:

- Potentially significant on-site environmental concerns or recognized environmental conditions observed at the Subject property include the following:
 - The possible presence of an abandoned underground storage tank(s) located at Paul's Garage, at 3305 Southern Oaks (northeast corner of Subject property), and also at the vacant retail location located at 3105 Southern Oaks. There are pump islands located at both sites, but there are no records for underground storage tanks for those addresses with the TCEQ;
 - There were two in-ground hydraulic lifts at Paul's Garage, and the owner cannot confirm whether the hydraulic fluid tanks were removed when the lifts were removed. Hydraulic fluids may contain polychlorinated biphenyls (PCBs); and
 - There were areas of noticeable soil staining and hydrocarbon odors on the northern area of the Subject property, just south of the paved parking lot belonging to Paul's Garage.
- The results of the records review indicate that there are currently no off-site facilities or sites within the radii suggested in the ASTM 1527-00 Standard Practice of Environmental Site Assessments listed by TCEQ or the EPA that pose a risk of impact to the Subject property;
- Butler Burgher's site reconnaissance identified an adjacent business that may have caused a recognized environmental condition to be present in the immediate vicinity of the Subject property;
 - Butler Burgher's site reconnaissance identified a dry cleaners located at the southwest intersection of Overton and East Illinois. According to the city directories reviewed for the

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Phase I, the business has been located at that address since approximately 1959. The history of perchlorethylene may pose of risk of impact to the Subject property;

- The historical review revealed a prior use on the Subject property that indicates the possible presence of recognized environmental conditions:
 - Butler Burgher reviewed historical city directories to obtain historical information for the Subject property, and there was a dry cleaner formerly located at 3105 Southern Oaks, which is the southern most retail location on the Subject property. According to the reviewed directories, Bells Cleaners was in operation from 1959 to 1985. Dry cleaners use perchlorethylene (PERC) in the dry cleaning process, and PERC is a regulated substance. Based on the age of, and the longevity of, the business, there is a potential risk of the presence of a recognized environmental condition associated with the business.

In the professional opinion of Butler Burgher, an appropriate level of inquiry has been made into the previous ownership and uses of property consistent with good commercial and customary practice in an effort to minimize liability, and evidence or indication of recognized environmental conditions has been revealed. The following additional investigation/assessment is recommended at this time pertaining to this Phase I ESA:

- A tank detection company conduct a survey utilizing electromagnetic resonance technique to determine whether there are underground storage tanks located at 3305 Southern Oaks and 3105 Southern Oaks; and
- Soil and groundwater samples should be collected and analyzed at 3305 and 3105 Southern Oaks to determine the absence or presence of chemicals of concern. The laboratory analysis should include sampling for total petroleum hydrocarbons and volatile organize compounds.” (p. 17-18)

The Applicant submitted a letter from Whitehead & Mueller Environmental Consulting, Engineering, and Remediation Services, Inc. dated November 26th which discusses the Phase II investigation performed of the site on November 14 and 15, 2002. According to the investigation performed, the following recommendations are made:

“A number of small areas of dark stained soil are present around the perimeter of Paul’s Garage. Soil samples collected from these areas indicate that the soil is impacted with lead and heavier petroleum hydrocarbons...These soils should be removed and disposed off-site prior to development of the property. Following removal. Confirmatory samples should be collected to document the removal of activities.

A grit trap with waste oil is present in the west bay of Paul’s Garage. The waste oil should be removed by a licensed waste hauler. Both the grit trap and form hydraulic lift should be removed from the ground or filled in-place prior to development of the property.

USTs are located on the northeast side of Paul’s Garage. Soil sampling adjacent to the tanks and underground piping leading to the pump island were not impacted with petroleum hydrocarbons. Since no TPH or BTEX was detected and the action levels were not exceeded, no release was identified. The tanks should be removed from the ground by a licensed contractor.

Based on the apparent hydraulically up-gradient location of soil boring SB-08 from the former on-site dry cleaner and the commercial nature of the surrounding area, the concentration of 1,2-DCR reported in groundwater is not expected to be of concern for the property owner. Once the tenant has vacated the building, additional soil sampling should be performed underneath the former dry cleaner to evaluate the presence of VOCs in the soil.”

Based on these findings this report is conditioned upon receipt, review and acceptance of documentation providing evidence that the recommendations listed in the Phase II investigation were followed.

OPERATING PROFORMA ANALYSIS

Income: The Applicant’s rent projections are the maximum rents allowed under LIHTC guidelines. The Applicant’s estimated secondary income was set at \$20/unit/month without additional support documentation; therefore, the Underwriter used the maximum guideline of \$15/unit/month. The Applicant’s vacancy and collection loss assumption of 7.0% is slightly less than the TDHCA underwriting guideline of 7.5% utilized in this analysis. As a result of the higher secondary income estimate and lower vacancy and collection loss assumption, the Applicant’s effective gross income estimate is slightly higher than the

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Underwriter's, but still within 5%.

Expenses: The Applicant's total expense estimate of \$3,501 per unit is \$72K or more than 5% lower than the Underwriter's estimate of \$3,783 per unit. The Applicant's budget shows several line item estimates that deviate significantly when compared to the Underwriter's estimates, particularly: general and administrative (\$48K lower); payroll (\$23K lower); repairs and maintenance (\$9K higher); utilities (\$18K lower); water, sewer, and trash (\$17K higher); and property tax (\$20K lower). It should be noted that the Applicant has assumed a replacement reserve expense of \$250 per unit rather than the standard of \$200 per unit for new construction developments.

Conclusion: The Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in operating expenses, the Underwriter's estimated aggregate debt coverage ratio (DCR) of 1.06 is slightly less than the program minimum standard of 1.10. Similarly, the Underwriter's estimate of a bonds-only DCR is 1.08. In order to raise the bonds-only DCR to the minimum 1.10, the annual debt service for this development should be limited to not more than \$1,066,309 by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The original property contract stated a sales price of \$900,000. However, an amendment to this contract raised the price to \$1,000,000 and extended the closing date to August 30, 2002. The Underwriter recently received additional site control documents in the form of a 3rd amendment to the property contract wherein the closing date was further extended to December 19, 2002 and the sales price was reduced to \$900,000. This price is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant's total site acquisitions costs of \$1,150,000 in the project cost schedule include the \$900K sales price, \$100K in closing costs and \$150K in tenant relocation expenses. The Applicant did not include documentation of the \$150K cost for tenant relocation expenses nor was it part of the original property contract or subsequent amendments. Therefore, this report is conditioned upon receipt, review and acceptance of documentation indicating an additional \$150K in the sales price for tenant relocation expenses.

Sitework Cost: The Applicant claimed sitework costs of \$8,960 per unit without providing any specific justification regarding why these costs are so high. The TDHCA acceptable range of sitework costs is \$4.5K to \$6.5K per unit. In the absence of any such substantiation, the Underwriter lowered the TDHCA sitework costs to \$6.5K per unit for the purpose of estimating the project's total construction budget. A third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of this report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$228K or 2% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. In addition, the Applicant's contingency cost exceeds the Department's 5% guideline for new construction developments. Consequently the Applicant's eligible fees in these areas have been reduced with the overage of \$158,586 effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$11,740.

Conclusion: The Applicant's total development cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown, as adjusted, is used to calculate eligible basis and determine the LIHTC allocation. As a result an eligible basis of \$19,835,283 is used to determine a credit allocation of \$943,763 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

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The Applicant intends to finance the development with three types of financing from three sources: a conventional interim to permanent loan, syndicated LIHTC equity, and deferred developer's fees.

Permanent Financing: The bond-financed permanent mortgage financing will be provided by Charter Mac in the amount of \$15,000,000, amortized over 40 years. The stated interest rate in the commitment letter is 6.75%.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits. The proposal shows net proceeds are anticipated to be \$7,312,000 based on a syndication factor of 82%. The funds would be disbursed in a six-phased pay-in schedule:

1. 20% upon admission of Investor to Project Partnership;
2. 10% at completion of 50% of construction as determined by the construction lender;
3. 34% at completion of 75% of construction as determined by the construction lender ;
4. 16% upon the completion of construction; and
5. 20% upon the attainment of Rental Achievement.

GIC Income: The Applicant has proposed \$193,262 in GIC earnings as a source of funds. The GIC income amount, which typically is reclassified as deferred developer fee, remains as a source of funds as it has not already been netted from construction period interest and the amount of eligible construction period interest does not appear to be overly optimistic based upon the Department's guidelines.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,092,510 amount to 42% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, as adjusted by the Underwriter, the LIHTC allocation should not exceed \$943,763 annually for ten years, resulting in syndication proceeds of approximately \$7,738,081. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,152,826. Deferred developer fees in this amount appear to be repayable from stabilized cash flow within ten years of operation.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are simple, with varied rooflines. The proposed units are slightly larger than average size for market rate and LIHTC units, and have covered patios or balconies and small outdoor storage closets. Each unit has an exterior entry that is off an interior breezeway that is shared with other units. The units are in two- and three-story structures with mixed stucco/masonry veneer exterior finish and pitched roofs.

IDENTITIES of INTEREST

The Applicant, general contractor, and cost estimator are related entities. The market analyst is also the appraiser. These are common identities of interest for 4% LIHTC developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The owner of the Applicant and General Partner, Brian Potashnik, submitted an unaudited financial statement as of July 11, 2002.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The managing member of the General Partner has completed sixteen affordable housing developments totaling 3,220 units since 1996.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating proforma is more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the application could affect the financial feasibility of the project.
- Significant environmental risks exist
- The significant financing structure changes being proposed have not been accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
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RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$943,763 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review and acceptance of final ratification and completion of rezoning;
2. Receipt, review and acceptance of documentation reflecting the additional \$150K in site acquisition costs for tenant relocation expenses;
3. Receipt, review, and acceptance of documentation providing evidence that the recommendations listed in the Phase II investigation were followed;
4. Receipt, review and acceptance of a third party detailed cost estimate certified by an architect or engineer familiar with the sitework costs of this proposed project is required as a condition of this report, to be accompanied by a letter from a certified public accountant stating which costs are includable in eligible basis.

Associate Underwriter:

Raquel Morales

Date: December 3, 2002

Credit Underwriting Supervisor:

Lisa Vecchietti

Date: December 3, 2002

Director of Credit Underwriting:

Tom Gouris

Date: December 3, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Southern Oaks Apartments, Dallas, 4% LIHTC #02446

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Wtr, Swr, Trsh
TC (50%)	144	2	2	950	\$748	\$687	\$98,928	\$0.72	\$67	\$52
TC (50%)	96	3	2	1,100	\$864	\$793	76,128	0.72	\$77	\$61
TC (50%)	16	4	2	1,300	\$963	\$877	14,032	0.67	\$94	\$75
TOTAL:	256		AVERAGE:	1,028	\$805	\$739	\$189,088	\$0.72	\$72.44	\$56.81

INCOME		Total Net Rentable Sq Ft:	263,200		TDHCA	APPLICANT			
POTENTIAL GROSS RENT					\$2,269,056	\$2,269,056			
Secondary Income		Per Unit Per Month:	\$15.00		46,080	61,440	\$20.00	Per Unit Per Month	
Other Support Income:					0	0			
POTENTIAL GROSS INCOME					\$2,315,136	\$2,330,496			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%		(173,635)	(163,140)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions					0	0			
EFFECTIVE GROSS INCOME					\$2,141,501	\$2,167,356			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% OF EGI	
General & Administrative	3.63%	\$304	\$0.30	\$77,712	\$29,500	\$0.11	\$115	1.36%	
Management	5.00%	418	0.41	107,075	108,368	0.41	423	5.00%	
Payroll & Payroll Tax	9.96%	833	0.81	213,248	189,750	0.72	741	8.75%	
Repairs & Maintenance	5.43%	454	0.44	116,346	125,116	0.48	489	5.77%	
Utilities	3.30%	276	0.27	70,763	52,480	0.20	205	2.42%	
Water, Sewer, & Trash	3.38%	283	0.28	72,448	89,600	0.34	350	4.13%	
Property Insurance	1.97%	165	0.16	42,112	39,480	0.15	154	1.82%	
Property Tax	2.8028	8.68%	726	0.71	185,981	166,400	0.63	650	7.68%
Reserve for Replacements	2.39%	200	0.19	51,200	64,000	0.24	250	2.95%	
Other: security, cable TV	1.47%	123	0.12	31,500	31,500	0.12	123	1.45%	
TOTAL EXPENSES	45.22%	\$3,783	\$3.68	\$968,385	\$896,194	\$3.40	\$3,501	41.35%	
NET OPERATING INC	54.78%	\$4,582	\$4.46	\$1,173,116	\$1,271,162	\$4.83	\$4,965	58.65%	

DEBT SERVICE								
Charter Mac	50.71%	\$4,242	\$4.13	\$1,086,042	\$1,057,607	\$4.02	\$4,131	48.80%
Issuer Fee	0.00%	\$0	\$0.00	0	22,700	\$0.09	\$89	1.05%
Supportive Services, Compliance	1.14%	\$95	\$0.09	24,400	28,240	\$0.11	\$110	1.30%
NET CASH FLOW	2.93%	\$245	\$0.24	\$62,674	\$162,615	\$0.62	\$635	7.50%
AGGREGATE DEBT COVERAGE RATIO				1.06	1.15			
BONDS-ONLY DEBT COVERAGE RATIO				1.08				
ALTERNATIVE DEBT COVERAGE RATIO				1.10				

CONSTRUCTION COST					TDHCA	APPLICANT			
Description	Factor	% of TOTAL	PER UNIT	PER SQ FT			PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		4.98%	\$4,492	\$4.37	\$1,150,000	\$1,150,000	\$4.37	\$4,492	4.83%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		7.20%	6,500	6.32	1,664,000	2,293,769	8.71	8,960	9.63%
Direct Construction		47.73%	43,079	41.90	11,028,284	10,800,199	41.03	42,188	45.36%
Contingency	5.00%	2.75%	2,479	2.41	634,614	793,932	3.02	3,101	3.33%
General Req'ts	6.00%	3.30%	2,975	2.89	761,537	793,932	3.02	3,101	3.33%
Contractor's G & A	2.00%	1.10%	992	0.96	253,846	264,644	1.01	1,034	1.11%
Contractor's Profit	6.00%	3.30%	2,975	2.89	761,537	793,932	3.02	3,101	3.33%
Indirect Construction		2.87%	2,592	2.52	663,500	663,500	2.52	2,592	2.79%
Ineligible Costs		10.20%	9,203	8.95	2,356,013	2,356,013	8.95	9,203	9.89%
Developer's G & A	2.00%	1.45%	1,310	1.27	335,401	0	0.00	0	0.00%
Developer's Profit	13.00%	9.44%	8,516	8.28	2,180,109	2,598,951	9.87	10,152	10.91%
Interim Financing		4.34%	3,917	3.81	1,002,750	1,002,750	3.81	3,917	4.21%
Reserves		1.36%	1,225	1.19	313,583	300,000	1.14	1,172	1.26%
TOTAL COST	100.00%		\$90,255	\$87.79	\$23,105,174	\$23,811,622	\$90.47	\$93,014	100.00%
Recap-Hard Construction Costs	65.37%		\$58,999	\$57.39	\$15,103,818	\$15,740,408	\$59.80	\$61,486	66.10%

SOURCES OF FUNDS					TDHCA	APPLICANT	RECOMMENDED
Charter Mac	64.92%	\$58,594	\$56.99	\$15,000,000	\$15,000,000	\$14,727,454	
LIHTC Syndication Proceeds	31.65%	\$28,563	\$27.78	7,312,000	7,312,000	7,738,081	
Deferred Developer Fees	4.73%	\$4,268	\$4.15	1,092,510	1,092,510	1,152,826	
GIC Income	0.84%	\$755	\$0.73	193,262	193,262	193,262	
Additional (excess) Funds Required	-2.13%	(\$1,924)	(\$1.87)	(492,598)	213,850	0	
TOTAL SOURCES				\$23,105,174	\$23,811,622	\$23,811,622	

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Southern Oaks Apartments, Dallas, 4% LIHTC #02446

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.43	\$10,905,585
Adjustments				
Exterior Wall Finish	2.00%		\$0.83	\$218,112
9' ceilings	3.00%		1.24	327,168
Roofing			0.00	0
Subfloor			(0.88)	(231,158)
Floor Cover			1.92	505,344
Porches/Balconies	\$29.24	36,429	4.05	1,065,174
Plumbing	\$615	784	1.83	482,160
Built-In Appliances	\$1,625	256	1.58	416,000
Exterior Stairs	\$1,400	80	0.43	112,000
Floor Insulation			0.00	0
Heating/Cooling			1.47	386,904
Garages/Carports			0.00	0
Comm &/or Aux Bldgs	\$53.70	4,782	0.98	256,808
Other:			0.00	0
SUBTOTAL			54.88	14,444,096
Current Cost Multiplier	1.02		1.10	288,882
Local Multiplier	0.92		(4.39)	(1,155,528)
TOTAL DIRECT CONSTRUCTION COSTS			\$51.59	\$13,577,450
Plans, specs, survy, bld prm	3.90%		(\$2.01)	(\$529,521)
Interim Construction Interest	3.38%		(1.74)	(458,239)
Contractor's OH & Profit	11.50%		(5.93)	(1,561,407)
NET DIRECT CONSTRUCTION COSTS			\$41.90	\$11,028,284

PAYMENT COMPUTATION

Primary	\$15,000,000	Amort	480
Int Rate	6.75%	DCR	1.08

Secondary		Amort	
Int Rate		Subtotal DCR	1.08

Additional		Amort	
Int Rate		Aggregate DCR	1.06

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$1,066,309
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$106,807

Primary	\$14,727,454	Amort	480
Int Rate	6.75%	DCR	1.10

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$0	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,269,056	\$2,337,128	\$2,407,242	\$2,479,459	\$2,553,843	\$2,960,603	\$3,432,151	\$3,978,803	\$5,347,179
Secondary Income	46,080	47,462	48,886	50,353	51,863	60,124	69,700	80,802	108,591
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,315,136	2,384,590	2,456,128	2,529,812	2,605,706	3,020,727	3,501,851	4,059,605	5,455,770
Vacancy & Collection Loss	(173,635)	(178,844)	(184,210)	(189,736)	(195,428)	(226,555)	(262,639)	(304,470)	(409,183)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,141,501	\$2,205,746	\$2,271,918	\$2,340,076	\$2,410,278	\$2,794,173	\$3,239,212	\$3,755,135	\$5,046,587
EXPENSES at 4.00%									
General & Administrative	\$77,712	\$80,821	\$84,054	\$87,416	\$90,912	\$110,609	\$134,573	\$163,728	\$242,358
Management	107,075	110,287	113,596	117,004	120,514	139,709	161,961	187,757	252,329
Payroll & Payroll Tax	213,248	221,778	230,649	239,875	249,470	303,518	369,277	449,281	665,046
Repairs & Maintenance	116,346	121,000	125,840	130,873	136,108	165,596	201,473	245,123	362,842
Utilities	70,763	73,593	76,537	79,598	82,782	100,717	122,538	149,086	220,684
Water, Sewer & Trash	72,448	75,346	78,360	81,494	84,754	103,116	125,456	152,637	225,940
Insurance	42,112	43,796	45,548	47,370	49,265	59,939	72,924	88,724	131,333
Property Tax	185,981	193,420	201,157	209,203	217,571	264,709	322,059	391,834	580,010
Reserve for Replacements	51,200	53,248	55,378	57,593	59,897	72,874	88,662	107,871	159,675
Other	31,500	32,760	34,070	35,433	36,851	44,834	54,548	66,366	98,238
TOTAL EXPENSES	\$968,385	\$1,006,049	\$1,045,189	\$1,085,860	\$1,128,124	\$1,365,621	\$1,653,470	\$2,002,406	\$2,938,454
NET OPERATING INCOME	\$1,173,116	\$1,199,696	\$1,226,730	\$1,254,216	\$1,282,154	\$1,428,552	\$1,585,742	\$1,752,728	\$2,108,133
DEBT SERVICE									
First Lien Financing	\$1,066,309	\$1,066,309	\$1,066,309	\$1,066,309	\$1,066,309	\$1,066,309	\$1,066,309	\$1,066,309	\$1,066,309
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	24,400	24,400	24,400	24,400	24,400	24,400	24,400	24,400	24,400
NET CASH FLOW	\$82,407	\$108,987	\$136,020	\$163,506	\$191,444	\$337,843	\$495,032	\$662,019	\$1,017,423
DEBT COVERAGE RATIO	1.08	1.10	1.12	1.15	1.18	1.31	1.45	1.61	1.93

LIHTC Allocation Calculation - Southern Oaks Apartments, Dallas, 4% LIHTC #02446

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,150,000	\$1,150,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$2,293,769	\$1,664,000	\$2,293,769	\$1,664,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	\$10,800,199	\$11,028,284	\$10,800,199	\$11,028,284
(4) Contractor Fees & General Requirements				
Contractor overhead	\$264,644	\$253,846	\$261,879	\$253,846
Contractor profit	\$793,932	\$761,537	\$785,638	\$761,537
General requirements	\$793,932	\$761,537	\$785,638	\$761,537
(5) Contingencies	\$793,932	\$634,614	\$654,698	\$634,614
(6) Eligible Indirect Fees	\$663,500	\$663,500	\$663,500	\$663,500
(7) Eligible Financing Fees	\$1,002,750	\$1,002,750	\$1,002,750	\$1,002,750
(8) All Ineligible Costs	\$2,356,013	\$2,356,013		
(9) Developer Fees			\$2,587,211	
Developer overhead		\$335,401		\$335,401
Developer fee	\$2,598,951	\$2,180,109		\$2,180,109
(10) Development Reserves	\$300,000	\$313,583		
TOTAL DEVELOPMENT COSTS	\$23,811,622	\$23,105,174	\$19,835,283	\$19,285,578

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		\$19,835,283	\$19,285,578
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		\$25,785,868	\$25,071,251
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		\$25,785,868	\$25,071,251
Applicable Percentage		3.66%	3.66%
TOTAL AMOUNT OF TAX CREDITS		\$943,763	\$917,608

Syndication Proceeds	0.8199	\$7,738,081	\$7,523,632
Total Credit Amount		\$943,763	
Total Syndication Proceeds		\$7,738,081	

Developer Evaluation

Compliance Status Summary

Project ID #: 02446

LIHTC 9% LIHTC 4%

Project Name: Southern Oaks

HOME HTF

Project City: Dallas

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 7 # not yet monitored or pending review 7

of projects grouped by score 0-9: 7 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo En Taylor **Completed on** 10/28/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 10/28/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 10/28/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by EEF **Completed on** _____

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 10/28/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 10/28/2002

Executive Director: _____ **Date Signed:** _____



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **Primrose SA II Housing, L.P.**

TDHCA#: 02456

DEVELOPMENT AND OWNER INFORMATION

Development Location: San Antonio QCT: Y DDA: N TTC: N
 Development Owner: Primrose SA II Housing, L.P.
 General Partner(s): Primrose SA II Development, LLC, 100%, Contact: Brian Potashnik
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Bexar County HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$1,058,573 Eligible Basis Amt: \$1,044,394 Equity/Gap Amt.: \$1,269,879
Annual Tax Credit Allocation Recommendation: \$1,044,394
 Total Tax Credit Allocation Over Ten Years: \$10,443,940

PROPERTY INFORMATION

Unit and Building Information

Total Units: 280 LIHTC Units: 280 % of LIHTC Units: 100%
 Gross Square Footage: 308,155
 Average Square Footage/Unit: 1074
 Number of Buildings: 18
 Currently Occupied: N

Development Cost

Total Cost: \$25,411,738 Total Cost/Net Rentable Sq. Ft.: \$84.48

Income and Expenses

Effective Gross Income:¹ \$2,054,254 Ttl. Expenses: \$851,007 Net Operating Inc.: \$1,203,247
 Estimated 1st Year DCR: 1.11

DEVELOPMENT TEAM

Consultant: Not Utilized Manager: Southwest Housing Management
 Attorney: True & Shackelford Architect: BGO Architects
 Accountant: Reznick, Fedder & Silverman Engineer: Pond Robinson
 Market Analyst: Butler Burgher Lender: Charter MAC
 Contractor: Affordable Housing Construction Syndicator: Related Captial Company

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Frank L. Madla, District 19 - NC
# in Opposition: 0	Rep. John Amos Longoria, District 117 - NC
	Mayor Ed Garza - NC
	Andrew W. Cameron, Housing and Community Development Director, City of San Antonio; Consistent with the local Consolidated Plan.

1. Gross Income less Vacancy
 2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review, and acceptance of a site plan indicating where the laundry building will be located.
3. Receipt, review, and acceptance of documentation indicating the septic tank has been removed or fill in place with sand as indicated in the Phase I ESA.
4. Receipt, review, and acceptance of a letter from the U.S. Army Corp of Engineers or a wetlands consultant in regards to the wetland indicating there is no wetland on the site as indicated in the Phase I ESA.
5. Receipt, review, and acceptance of a recorded warranty deed of the site for the Applicant or an extension of both contracts for the site extended beyond the bond issuance date.
6. Should the terms of the proposed debt, syndication or assumption in this analysis be altered, the conditions and recommendations in this report should be re-evaluated.

DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Charles E. Nwaneri, LIHTC Co-Manager

Date

David Burrell, Director of Housing Programs

Date

DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond Housing Type

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director
Chairman of Executive Award and Review Advisory Committee

Date

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____

Michael E. Jones, Chairman of the Board

Date

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

DATE: December 4, 2002 **PROGRAM:** 4% LIHTC **FILE NUMBER:** 02456

DEVELOPMENT NAME

Primrose SA II

APPLICANT

Name: Primrose SA II Housing, L.P. **Type:** For Profit Non-Profit Municipal Other
Address: 5910 North Central Expressway **City:** Dallas **State:** Texas
Zip: 75206 **Contact:** Brian Potashnik **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PRINCIPALS of the APPLICANT

Name: Primrose SA II Development, LLC **(%)** .01 **Title:** General Partner
Name: San Antonio Development Agency **(%)** _____ **Title:** Owner of the G.P.
Name: Related Capital Company **(%)** 99.99 **Title:** Limited Partner
Name: Brain Potashnik **(%)** _____ **Title:** Guarantor

GENERAL PARTNER

Name: Primrose SA II Development, LLC **Type:** For Profit Non-Profit Municipal Other
Address: 5910 North Central Expressway **City:** Dallas **State:** Texas
Zip: 75206 **Contact:** Brian Potashnik **Phone:** (214) 891-1402 **Fax:** (214) 987-9294

PROPERTY LOCATION

Location: South of Loop 410 and West of Hwy 16 **QCT** **DDA**
City: San Antonio **County:** Bexar **Zip:** 78242

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$1,058,573	n/a	n/a	n/a
Other Requested Terms: <u>Annual ten-year allocation of low-income housing tax credits</u>			
Proposed Use of Funds: <u>New Construction</u>			

SITE DESCRIPTION

Size: 17.011 acres 741,000 square feet **Zoning/ Permitted Uses:** Applicant provided City Ordinance Doc. changing to MF-25 Multifamily
Flood Zone Designation: Not in 100 year flood plain **Status of Off-Sites:** Raw Land

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

DESCRIPTION of IMPROVEMENTS

Total Units: 280 **# Rental Buildings:** 18 **# Common Area Bldgs:** 3 **# of Floors:** 3 **Age:** 0 yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
80	2	2	950
176	3	2	1,100
24	4	2	1,300

Net Rentable SF: 300,800 **Av Un SF:** 1,074 **Common Area SF:** 7,355 **Gross Bldg SF:** 308,155

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a post-tensioned concrete slab on grade, 35% stone veneer, 65% Hardiplank siding exterior wall covering, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

3,936 SF community building with activity room, management offices, learning center, kitchen, restrooms, computer/business center, youth center, swimming pool, equipped children's play area, and perimeter fencing. There will also be a 2,936 SF youth center and a 483 SF laundry building

Uncovered Parking: 517 spaces **Carports:** n/a spaces **Garages:** n/a spaces

OTHER SOURCES of FUNDS

INTERIM CONSTRUCTION or GAP FINANCING

Source: Charter Mac Municipal Mortgage **Contact:** Marnie Miller

Principal Amount: \$15,300,000 **Interest Rate:** 6.75% for tax-exempt, 8.75% for taxable.

Additional Information: \$15,000,000 is tax-exempt, \$300,000 is taxable tail, interest-only payments during construction period. The Applicant does not indicate they will be utilizing the taxable bonds in their sources of funds.

Amortization: n/a yrs **Term:** 2 yrs **Commitment:** None Firm Conditional

LONG TERM/PERMANENT FINANCING

Source: Charter Mac Municipal Mortgage **Contact:** Marnie Miller

Principal Amount: \$15,300,000 **Interest Rate:** 6.75% for tax-exempt, 8.75% for taxable.

Additional Information: \$15,000,000 is tax-exempt, \$300,000 is taxable tail, interest-only payments during construction period. The Applicant does not indicate they will be utilizing the taxable bonds in their sources of funds.

Amortization: 40 yrs **Term:** 40 yrs **Commitment:** None Firm Conditional

Annual Payment: \$1,152,635 **Lien Priority:** 1st **Commitment Date:** 10/ 31/ 2002

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

LIHTC SYNDICATION

Source: <u>Related Capital Company</u>	Contact: <u>Justin Ginsberg</u>
Address: <u>625 Madison Avenue</u>	City: <u>New York</u>
State: <u>NY</u> Zip: <u>10022</u> Phone: (212) <u>421-5333</u> Fax: (212) <u>751-3550</u>	
Net Proceeds: <u>\$8,107,000</u>	Net Syndication Rate (per \$1.00 of 10-yr LIHTC) <u>82¢</u>
Commitment <input type="checkbox"/> None <input type="checkbox"/> Firm <input checked="" type="checkbox"/> Conditional	Date: <u>10/ 31/ 2002</u>
Additional Information: <u>Based on tax credits of \$988,740 annually</u>	

APPLICANT EQUITY

Amount: <u>\$1,530,151</u>	Source: <u>Deferred developer fee</u>
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VALUATION INFORMATION

ASSESSED VALUE

Land: <u>365,900</u>	Assessment for the Year of: <u>2002</u>
Building: <u>0</u>	Valuation by: <u>Bexar County Appraisal District</u>
Total Assessed Value: <u>365,900</u>	

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: <u>Purchase And Sale Agreement</u>	
Contract Expiration Date: <u>11/ 15/ 2002</u>	Anticipated Closing Date: <u>11/ 15/ 2002</u>
Acquisition Cost: <u>\$ 856,352</u>	Other Terms/Conditions: <u>The property is currently owned by Billie Marie Brown and Annette Wilks Whitmore who has control to sell 35 acres to NICDAR, Inc. for an undisclosed amount.</u>
Seller: <u>NICDAR, INC./ Annette Wilks Whitmore</u>	Related to Development Team Member: <u>No</u>

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Primrose SA II is a proposed new construction development of 280 units of affordable housing located in southeast San Antonio. The development is comprised of 18 residential buildings as follows:

- (5) Building Type A with 12 two-bedroom units and eight three- bedroom units;
- (1) Building Type B with 20 two-bedroom units;
- (3) Building Type C with eight four-bedroom units;
- (8) Building Type E with 16 three- bedroom units; and
- (1) Building Type F with eight three- bedroom units.

Based on the site plan the apartment buildings are distributed evenly throughout the site with the community building and swimming pool located near the entrance to the site. The 3,936-square foot community building plan includes the management office, a community room, learning center, kitchen, restrooms and maintenance room. There will also be a 2,936-square foot youth center on site as well as a 483-square foot laundry building. However, the Applicant did not indicate on the site plan where the laundry building would be located. Receipt, review and acceptance of a site plan indicating where the building will be located is a condition of the report.

Supportive Services: The Applicant has contracted with Housing Services of Texas, Inc. to provide the

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

following supportive services to tenants: after school programs, adult education programs, health screening, family counseling, computer education, emergency assistance, community outreach programs vocational guidance, recreations activities and State assistance. These services will be provided at no cost to tenants. The contract requires the Applicant to provide, furnish, and maintain facilities in the community building for provision of the services and pay \$2,000 per month for these support services.

Schedule: The Applicant anticipates construction to begin in December of 2002, to be completed in June 2004, to be placed in service in October of 2004, and to be substantially leased-up in October of 2004.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. Although as a Priority 2 private activity bond lottery project, 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI. All of the units will be reserved for low-income tenants.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$19,380	\$22,200	\$24,960	\$27,720	\$29,940	\$32,160

Special Needs Set-Asides: According to the Application, none of the units are specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments.

Compliance Period Extension: The Applicant has not elected to extend the compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated August 30, 2002 was prepared by Butler-Burgher, LLC and highlighted the following findings:

Definition of Market/Submarket: The primary market area will be a five-mile ring from the intersection of IH 410 and SH 16. The primary market area is located in much of the S2 submarket, as defined by Apartment MarketData Research, Inc. (p. 31, 44) The analyst did not provide a map indicating what area is the S2 submarket encompasses.

Total Local/Submarket Demand for Rental Units: “Due to the lack of new construction in the subject’s market area, absorption has been relatively flat. However, occupancy levels have remained fairly high relative to the overall market. According to Apartment MarketData Research, Inc, the overall San Antonio market occupancy stands at 94% as of June 2002, while the subject’s S2 submarket is currently recording 95.7% occupancy. The comparable surveyed in the subject’s market area indicated an average occupancy of 97%.” (p. 44)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	65	1%	60	1%
Resident Turnover	5,731	99%	5,303	99%
TOTAL ANNUAL DEMAND	5,796	100%	5,363	100%

Ref: p. 49

Capture Rate: For the 5-mile radius, the analyst calculated a capture rate of 8.6%. The analyst also performed a capture rate for the 7 and 3.5 mile radii, those results were 7.3% and 18.0% respectively. The Underwriter used a demand radius of 5 miles and determined a capture rate of 16% for eligible households.

Local Housing Authority Waiting List Information: According to the analyst, through August 16th, 1,500 families have been added to the San Antonio Housing Authority list and a total 15,000 are expected before the end of the enrollment period in mid-October. The Bexar County Housing Agency also has a substantial list of qualified applicants. (p. 44)

Market Rent Comparables: The market analyst surveyed nine comparable apartment projects totaling

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

2,017 units in the market area. (p. 60 & Exhibit E) However, only one of those properties is within the 5-mile radius primary market area. In fact, there are only two additional comparable surveyed properties within seven miles of the subject site. Although the comparable properties may not be the best source for identifying market rents, the Underwriter was provided with enough information to indicate the units can achieve the maximum tax credit rents.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
2-Bedroom (60%)	\$577	\$577	\$0	\$725	-\$148
3-Bedroom (60%)	\$665	\$665	\$0	\$800	-\$135
4-Bedroom (60%)	\$732	\$732	\$0	\$850	-\$118

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100)

Submarket Vacancy Rates: The vacancy rate in the S2 submarket is 4.3% as of June 2002. (p. 51)

Absorption Projections: An absorption rate of 25 units per month, or 12 months to reach a stabilized 94% is anticipated for the development. (p. 51)

Known Planned Development: “Currently there are 659 LIHTC units within the 5-mile primary market area as noted previously. All of these projects are stabilized with the exception of one recently completed LIHTC project which currently is in lease up (the 144-unit Hunter’s Glen). In addition, only one LIHTC project (the 176-unit Heatherwilde Estates) is planned within the primary market area. We are not aware of any additional affordable housing projects that are currently approved or under construction in the subject’s primary market area.” (p. 44) The Underwriter is also including Costa Dorada, a 248-unit property that received a tax credit award in 2000, as an unstabilized development.

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregular-shaped parcel located in the southwest area of San Antonio, approximately 8.5 miles from the central business district. The site is situated on the southwest corner of IH- 410 and SR 216.

Population: The estimated 2002 population of the primary market area is 118,648 and is expected to increase by 3% to approximately 122,600 by 2007. Within the primary market area there are estimated to be 35,881 households in 2007.

Adjacent Land Uses: Land uses in the overall area in which the site is located are predominantly mixed, dominated by vacant land and single family. Adjacent land uses include:

- **North:** IH 410 and a single family residential neighborhood across the freeway
- **South:** Vacant land zoned for single family
- **East:** Rural residence and vacant land zoned for single family
- **West:** Vacant land zoned for single family

Site Access: Access to the property is from the east or west along Loop 410 or north or south from State Highway 16. The development has two main entries, one from Highway 16 and one from Loop 410.

Public Transportation: Public transportation is located approximately 1.0 mile from the site.

Shopping & Services: The site is within 2.5 miles of major grocery/pharmacies and shopping centers. An elementary school and a middle school are both located less than 0.5 miles, while San Antonio High School is located approximately 2.0 miles away.

Special Adverse Site Characteristics:

- The environmental site assessment (ESA) submitted by the Applicant did not specifically indicate whether the site is in the 100-year flood plain, however the market study, performed by the same firm that did the ESA commented on the possibility of the site being in the flood plain. “According to the FEMA Flood Insurance Rate Map Number 48029C, the subject property is on Panel Number 608, however Panel Number 608 is not readily available. The Comanche Creek runs along the western

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

side of the subject tract and soil type along the banks of the Creek is the Trinity and Frio, frequently flooded. In the opinion of Butler Burgher, the likelihood of the area along the Comanche Creek being part of the 100-year floodplain is high. We have not been provided any plans which indicate what portion of the proposed site, if any, is located in the floodplain and we have assumed the site's utility will not be materially impacted by the presence of floodplain and that appropriate site planning will incorporate the floodplain area minimizing any potential negative impact." (p. 37 of the Market Study). The Applicant provided a signed survey of the property performed by Joseph E. Guerra, a registered land surveyor in Texas, which stated that the site is not located in the 100-year flood plain according to the same FEMA Map referenced above. Therefore no further mitigation is required.

- According to the market study, the site is zoned MH-Mobile Home & R-5 Residential. However, the Applicant has submitted documentation that a city ordinance was passed and signed on October 10, 2002 changing the zoning of the site from "MH" and "R-5" to "MF-25" Multi Family District.
- According to the title commitment the owners of the land are Billie Marie Brown and Annette Wils Whitmore. The Applicant indicated NICDAR, Inc., intends to purchase the land from the current owners and that NICDAR, Inc. will sell the land to Southwest Housing Development, Inc. The Applicant provided a copy of the contract between NICDAR, Inc. and Annette W. Whitmore indicating that the purchase price shall be "sales price with net seller no less than \$___ at closing." The Applicant also stated that there is no relationship between the Applicant and the owner of the property. Receipt, review and acceptance of documentation showing that neither the Applicant, nor any of its related entities involved in the development will financially benefit from the sale between Annette W. Whitmore and NICDAR, Inc. is a condition of the report. In addition, the contract had a closing date 67 days after June 27, 2002. The contract between NICDAR, Inc. and Southwest Housing Development expired on November 15, 2002. Receipt, review and acceptance of an amendment to the contract extending the closing date of both contracts beyond December 12, 2002 or a recorded warranty deed showing the Applicant as owner of the site is a condition of the report.

Site Inspection Findings: TDHCA staff performed a site inspection on October 30, 2002 and found the location to be acceptable.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report was prepared by Butler Burgher, Inc on August 25, 2002 and contained the following findings and recommendations:

Findings: A septic tank is located on the site. Also according to the National Wetland Inventory Map one wetland may be present on the site.

Recommendations: 1) Remove or fill in place with sand the septic tank. 2) Consult with the U.S. Army Corp of Engineers or a wetlands consultant in regards to the wetland, if one is located on the site.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's and Underwriter's potential gross rent projections are alike except for a difference in rounding and are the maximum rents allowed under LIHTC guidelines. The Applicant is assuming \$20 per unit per month in secondary income; absent substantiation, the Underwriter utilized \$15 per unit per month in secondary income. Both are assuming a 7.5% vacancy and collection loss.

Expenses: The Applicant's total (property tax-exempt) expense estimate of \$2,840 per unit is more than 5% lower than the Underwriter's adjusted TDHCA database-derived estimate of \$3,039 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates that deviate significantly when compared to the Underwriter's estimates, particularly general and administrative (\$29K lower), payroll (\$24K lower), repairs and maintenance (15K lower), and utilities (\$12K higher). The Applicant provided a letter from the Bexar County Appraisal District directed to Manuel Macias Jr., as Executive Director to the L.P., indicating that they would receive a tax exemption when the Appraisal District receives a recorded warranty deed. The letter also indicates that the tax exemption is to be used to provide "transitional housing for indigent persons." The Underwriter requested but did not receive clarification from the Bexar County Appraisal District by what is meant by the statement. In the event that the property will not receive a property tax exemption, the Underwriter estimates expenses to be \$3,833 per unit per year, which is an amount at which the transaction appears no longer to be feasible.

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

Conclusion: While the Applicant's estimated income is consistent with the Underwriter's expectations, the total operating expenses are more than 5% lower than the database-derived estimate. Therefore, the Underwriter's NOI should be used to evaluate debt service capacity. Based on the Applicant's NOI, a debt coverage ratio of 1.11 would result from a debt service of \$1,086,042. In the event there is no exemption from paying property taxes, the Applicant's cost would be more than 5% outside the Underwriter's estimate. This would result in a debt coverage ratio of 0.92. The Underwriter would expect the debt to be reduced to \$12,316,730 to maintain an acceptable debt coverage ratio of 1.10.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The Applicant is purchasing the property from NICDAR, Inc with an anticipated closing date of December 2, 2002. The purchase price will be \$856,352, (\$1.16/SF or \$50,341/acre). At this time the property is owned by Billie Marie Brown and Annette Wilks Whitmore. There is a contract for NICDAR, Inc. to purchase 35 acres from Annette W. Whitmore. No indication was given as to the purchase price. Also the contract had a closing date 67 days after June 27, 2002.

Sitework Cost: The Applicant's claimed sitework costs of \$6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects. However, the Applicant is only claiming \$6,135 per unit as eligible.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$535K or 4% higher than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted.

Fees: The Applicant's general requirements, contractor's general and administrative fees, and contractor's profit exceed the 6%, 2%, and 6% maximums allowed by LIHTC guidelines based on their own construction costs. In addition, contingency exceeded 5%. Consequently the Applicant's eligible fees in these areas have been reduced by a total of \$237,437 with the overage effectively moved to ineligible costs. The Applicant's developer fees also exceed 15% of the Applicant's adjusted eligible basis and therefore the eligible portion of the Applicant's developer fee must be reduced by \$61,385.

Conclusion: The Applicant's total costs are within 5% of the Underwriter's estimate an acceptable tolerance, therefore the Applicant's adjusted cost estimate is used to size the total sources of funds needed for the development. As a result, an eligible basis of \$22,010,410 is used to determine a credit allocation of \$8,563,174 from this method. The resulting syndication proceeds will be used to compare to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with four types of financing from four sources: a conventional interim to permanent loan, syndicated LIHTC equity, GIC income, and deferred developer's fees.

Bonds and Conventional Interim to Permanent Loan: The bonds are tax-exempt private activity mortgage revenue bonds to be issued by the Bexar County Housing Finance Authority and placed with Charter/Mac Municipal Mortgage. As of the date of the underwriting analysis, the aggregate face amount of the tax-exempt bonds is anticipated to be \$15,000,000 and the taxable bonds are \$300,000, but shall not exceed 85% of the appraised value. The tax-exempt bonds shall carry an interest rate of 6.75%, while the taxable bonds shall carry a rate of 8.75%. The bonds will have a two year interest only period followed by a 40-year amortized period. According to their sources of financing, the Applicant does not indicate they will be utilizing the taxable bonds.

LIHTC Syndication: Related Capital Company has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$8,107,000 based on a syndication factor of 82%. The funds would be disbursed in a five-phased pay-in schedule:

1. 20% upon admission to the partnership;
2. 15% upon 50% completion of construction;
3. 36% upon 75% completion of construction;
4. 14% upon 100% completion of construction;
5. 15% upon attainment of breakeven operating status.

GIC Income: The Applicant is projecting \$202,155 in guaranteed investment contracts as additional income.

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

This potential source of funds is typically included with deferred developer fee since its full achievement is at the discretion of the Developer and the timing of the development.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,530,151 amount to 52% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the LIHTC allocation should not exceed \$1,044,394 annually for ten years, resulting in syndication proceeds of approximately \$8,563,174. Based on the underwriting analysis, the Applicant's deferred developer fee will be increased to \$1,646,409 which should be repayable in less than 10 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer's fee should be available to fund those development cost overruns. In the event the Applicant is not exempt from paying real estate taxes, the maximum debt that the Applicant could attain to meet a debt coverage ratio of 1.10 would be \$12,316,730. This would result in a need for \$4,531,834 of additional funds, which represents the entire \$2,932,308 developer fee and \$1,599,526 of the contractor fee. The amount of deferral is not repayable in 15 years and therefore the transaction would not be feasible without the property tax exemption.

REVIEW of ARCHITECTURAL DESIGN

The exterior elevations are functional, with varied rooflines. All units are of average size for market rate and LIHTC units, and have covered patios or balconies and small outdoor storage closets. Each unit has a semi-private exterior entry off an interior breezeway that is shared with three other units. The units are in three-story walk-up structures with mixed stone veneer and Hardiplank siding exterior finish and pitched roofs.

IDENTITIES of INTEREST

The Developer has not been clearly identified in the application, however the General Contractor and the Property Manager are related entities. This is a common relationship for LIHTC-funded developments. The Applicant indicated that the San Antonio Development Agency, a.k.a. The Urban Renewal Agency of the City of San Antonio, a component unit of the City of San Antonio will be the 100% owner of the General Partner, while Brian Potashnik will be the guarantor of the development.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Brian Potashnik, Owner of the General Partner, submitted an unaudited financial statement as of August 30, 2002 and is anticipated to be guarantor of the development.
- The San Antonio Development Agency submitted audited financials as of September 2001 reporting \$3,180,100 in total general fund assets and consisting of \$913,906 in cash, \$230,316 in grants receivable, \$1,799,943 in net loans, and \$235,935 in real estate. General fund liabilities totaled \$62,365, resulting in a net fund equity of \$3,117,735.

Background & Experience:

- Brian Potashnik has completed 14 affordable housing developments totaling 2,817 units since 1994.
- San Antonio Development Agency has not completed any multi-family rental development.

SUMMARY OF SALIENT RISKS AND ISSUES

- The significant financing structure changes being proposed have not been reviewed and accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$1,044,394 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
CREDIT UNDERWRITING ANALYSIS

CONDITIONS

1. Receipt, review and acceptance of a site plan indicating where the laundry building will be located.
2. Receipt, review and acceptance of documentation indicating the septic tank has been removed or filled in place with sand as indicated in the Phase I ESA.
3. Receipt, review and acceptance of a letter from the U.S. Army Corp of Engineers or a wetlands consultant in regards to the wetland indicating there is no wetland on the site as indicated in the Phase I ESA.
4. Receipt, review and acceptance of a recorded warranty deed of the site for the Applicant or an extension of both contracts for the site extended beyond the bond issuance date.
5. Should the terms of the proposed debt, syndication or assumptions in this analysis be altered, the conditions and recommendations in this report should be re-evaluated.

Credit Underwriter:

Mark Fugina

Date: December 4, 2002

Director of Credit Underwriting:

Tom Gouris

Date: December 4, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Primrose SA II, San Antonio, LIHTC #02456

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt Pd Util	as, Wtr, Swr, T
TC 60%	80	2	2	950	\$624	\$577	\$46,199	\$0.61	\$46.51	\$39.03
TC 60%	176	3	2	1,100	720	\$665	117,109	0.60	54.61	46.25
TC 60%	24	4	2	1,300	804	\$732	17,560	0.56	72.33	54.82
TOTAL:	280		AVERAGE:	1,074	\$700	\$646	\$180,868	\$0.60	\$53.81	\$33.96

INCOME Total Net Rentable Sq Ft: **300,800**

POTENTIAL GROSS RENT			
Secondary Income	Per Unit Per Month:	\$15.00	
Other Support Income: (describe)			
POTENTIAL GROSS INCOME			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	
Employee or Other Non-Rental Units or Concessions			
EFFECTIVE GROSS INCOME			

	TDHCA	APPLICANT		
	\$2,170,415	\$2,169,216		
	50,400	67,200	\$20.00	Per Unit Per Month
	0			
	\$2,220,815	\$2,236,416		
	(166,561)	(167,736)	-7.50%	of Potential Gross Rent
	0			
	\$2,054,254	\$2,068,680		
	\$79,488	\$50,500	\$0.17	\$180
	102,713	103,434	0.34	369
	224,840	201,250	0.67	719
	121,232	106,630	0.35	381
	55,503	67,200	0.22	240
	114,096	114,800	0.38	410
	51,136	51,136	0.17	183
			0.00	0
	56,000	56,000	0.19	200
	46,000	44,200	0.15	158
	\$851,007	\$795,150	\$2.64	\$2,840
	\$1,203,247	\$1,273,530	\$4.23	\$4,548
	\$1,086,042	\$1,086,042	\$3.61	\$3,879
	0		\$0.00	\$0
	0		\$0.00	\$0
	\$117,204	\$187,488	\$0.62	\$670
	1.11	1.17		
	1.11			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT
General & Administrative	3.87%	\$284	\$0.26
Management	5.00%	367	0.34
Payroll & Payroll Tax	10.95%	803	0.75
Repairs & Maintenance	5.90%	433	0.40
Utilities	2.70%	198	0.18
Water, Sewer, & Trash	5.55%	407	0.38
Property Insurance	2.49%	183	0.17
Property Tax	2.939	0	0.00
Reserve for Replacements	2.73%	200	0.19
Other Expenses: Security, S	2.24%	164	0.15
TOTAL EXPENSES	41.43%	\$3,039	\$2.83
NET OPERATING INC	58.57%	\$4,297	\$4.00

DEBT SERVICE	% OF EGI	PER UNIT	PER SQ FT
First Lien Mortgage	52.87%	\$3,879	\$3.61
Additional Financing -GIC Incc	0.00%	\$0	\$0.00
Additional Financing -GIC Incc	0.00%	\$0	\$0.00
NET CASH FLOW	5.71%	\$419	\$0.39

AGGREGATE DEBT COVERAGE RATIO
 ALTERNATIVE DEBT COVERAGE RATIO

CONSTRUCTION COST	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bld)	3.88%	3,393	\$3.16	
Off-Sites	0.00%	0	0.00	
Sitework	7.02%	6,135	5.71	
Direct Construction	50.33%	43,982	40.94	
Contingency	5.00%	2,506	2.33	
General Req'ts	6.00%	3,007	2.80	
Contractor's G & i	2.00%	1,002	0.93	
Contractor's Prof:	6.00%	3,007	2.80	
Indirect Construction	2.81%	2,457	2.29	
Ineligible Costs	7.98%	6,973	6.49	
Developer's G & A	2.00%	1,322	1.23	
Developer's Profi	13.00%	8,591	8.00	
Interim Financing	4.56%	3,985	3.71	
Reserves	1.18%	1,027	0.96	
TOTAL COST	100.00%	\$87,386	\$81.34	

	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
	\$950,000	\$950,000	\$3.16	\$3,393	3.74%
	0		0.00	0	0.00%
	1,717,805	1,717,805	5.71	6,135	6.76%
	12,314,858	12,849,999	42.72	45,893	50.57%
	701,633	901,596	3.00	3,220	3.55%
	841,960	901,596	3.00	3,220	3.55%
	280,653	300,532	1.00	1,073	1.18%
	841,960	901,596	3.00	3,220	3.55%
	688,000	688,000	2.29	2,457	2.71%
	1,952,506	1,952,506	6.49	6,973	7.68%
	370,053		0.00	0	0.00%
	2,405,347	2,932,308	9.75	10,473	11.54%
	1,115,800	1,115,800	3.71	3,985	4.39%
	287,568	200,000	0.66	714	0.79%
	\$24,468,143	\$25,411,738	\$84.48	\$90,756	100.00%
	\$16,698,869	\$17,573,124	\$58.42	\$62,761	69.15%

Recap-Hard Construction Costs	% of TOTAL	PER UNIT	PER SQ FT
68.25%	\$59,639	\$55.51	

SOURCES OF FUNDS

	% of TOTAL	PER UNIT	PER SQ FT
First Lien Mortgage	61.30%	\$53,571	\$49.87
Additional Financing -GIC Incc	0.83%	\$722	\$0.67
LIHTC Syndication Proceeds	35.47%	\$30,998	\$28.85
Deferred Developer Fees	6.25%	\$5,465	\$5.09
Additional (excess) Funds Requ	-3.86%	(\$3,370)	(\$3.14)
TOTAL SOURCES			

	TDHCA	APPLICANT	RECOMMENDED
	\$15,000,000	\$15,000,000	\$15,000,000
	202,155	202,155	0
	8,679,431	8,679,431	8,563,174
	1,530,151	1,530,151	1,848,564
	(943,594)	1	0
	\$24,468,143	\$25,411,738	\$25,411,738

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)
Primrose SA II, San Antonio, LIHTC #02456

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook
 Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.34	\$12,435,910
Adjustments				
Exterior Wall Finish Elderly	3.45%		\$1.43	\$429,039
Roofing	0.00%		0.00	0
Subfloor			(0.90)	(270,052)
Floor Cover			1.92	577,536
Porches/Balconies	\$21.72	26,896	1.94	584,114
Plumbing	\$615	864	1.77	531,360
Built-In Appliances	\$1,625	280	1.51	455,000
Stairs/Fireplaces	\$1,625	76	0.41	123,500
Cooridors	41.34	46,274	6.36	1,912,967
Heating/Cooling			1.47	442,176
Laundry Building	\$48.58	483	0.08	23,462
Community Building	\$55.28	3,936	0.72	217,592
Youth Center	\$56.86	2,936	0.56	166,947
SUBTOTAL			58.61	17,629,551
Current Cost Multiplier	1.02		1.17	352,591
Local Multiplier	0.84		(9.38)	(2,820,728)
TOTAL DIRECT CONSTRUCTION COSTS			\$50.40	\$15,161,413
Plans, specs, survy, b	3.90%		(\$1.97)	(\$591,295)
Interim Construction I	3.38%		(1.70)	(511,698)
Contractor's OH & Prof	11.50%		(5.80)	(1,743,563)
NET DIRECT CONSTRUCTION COSTS			\$40.94	\$12,314,858

PAYMENT COMPUTATION

Primary	\$15,000,000	Amort	480
Int Rate	6.75%	DCR	1.11
Secondary			
Int Rate		Amort	
		Subtotal DCR	1.11
Additional			
Int Rate		Amort	
		Aggregate DCR	1.11

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	\$1,086,042
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$117,204

Primary	\$15,000,000	Amort	480
Int Rate	6.75%	DCR	1.11
Secondary			
Int Rate		Amort	0
		Subtotal DCR	1.11
Additional			
Int Rate		Amort	0
		Aggregate DCR	1.11

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,170,415	\$2,235,527	\$2,302,593	\$2,371,671	\$2,442,821	\$2,831,899	\$3,282,947	\$3,805,836	\$5,114,725
Secondary Income	50,400	51,912	53,469	55,073	56,726	65,761	76,235	88,377	118,771
Other Support Income: (d	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,220,815	2,287,439	2,356,063	2,426,745	2,499,547	2,897,660	3,359,182	3,894,213	5,233,496
Vacancy & Collection Los	(166,561)	(171,558)	(176,705)	(182,006)	(187,466)	(217,324)	(251,939)	(292,066)	(392,512)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,054,254	\$2,115,882	\$2,179,358	\$2,244,739	\$2,312,081	\$2,680,335	\$3,107,243	\$3,602,147	\$4,840,984
EXPENSES at 4.00%									
General & Administrative	\$79,488	\$82,667	\$85,974	\$89,413	\$92,989	\$113,136	\$137,647	\$167,469	\$247,895
Management	102,713	105,794	108,968	112,237	115,604	134,017	155,362	180,107	242,049
Payroll & Payroll Tax	224,840	233,834	243,187	252,914	263,031	320,017	389,350	473,704	701,198
Repairs & Maintenance	121,232	126,081	131,125	136,370	141,824	172,551	209,935	255,418	378,081
Utilities	55,503	57,723	60,032	62,433	64,930	78,998	96,113	116,936	173,094
Water, Sewer & Trash	114,096	118,660	123,406	128,342	133,476	162,394	197,577	240,383	355,826
Insurance	51,136	53,181	55,309	57,521	59,822	72,782	88,551	107,736	159,475
Property Tax	0	0	0	0	0	0	0	0	0
Reserve for Replacements	56,000	58,240	60,570	62,992	65,512	79,705	96,974	117,984	174,644
Other	46,000	47,840	49,754	51,744	53,813	65,472	79,657	96,915	143,458
TOTAL EXPENSES	\$851,007	\$884,021	\$918,323	\$953,967	\$991,003	\$1,199,073	\$1,451,166	\$1,756,651	\$2,575,719
NET OPERATING INCOME	\$1,203,247	\$1,231,861	\$1,261,035	\$1,290,772	\$1,321,078	\$1,481,262	\$1,656,077	\$1,845,495	\$2,265,265
DEBT SERVICE									
First Lien Financing	\$1,086,042	\$1,086,042	\$1,086,042	\$1,086,042	\$1,086,042	\$1,086,042	\$1,086,042	\$1,086,042	\$1,086,042
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$117,204	\$145,819	\$174,992	\$204,730	\$235,036	\$395,220	\$570,035	\$759,453	\$1,179,222
DEBT COVERAGE RATIO	1.11	1.13	1.16	1.19	1.22	1.36	1.52	1.70	2.09

LIHTC Allocation Calculation - Primrose SA II, San Antonio, LIHTC #02456

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$950,000	\$950,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,717,805	\$1,717,805	\$1,717,805	\$1,717,805
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$12,849,999	\$12,314,858	\$12,849,999	\$12,314,858
(4) Contractor Fees & General Requirements				
Contractor overhead	\$300,532	\$280,653	\$291,356	\$280,653
Contractor profit	\$901,596	\$841,960	\$874,068	\$841,960
General requirements	\$901,596	\$841,960	\$874,068	\$841,960
(5) Contingencies	\$901,596	\$701,633	\$728,390	\$701,633
(6) Eligible Indirect Fees	\$688,000	\$688,000	\$688,000	\$688,000
(7) Eligible Financing Fees	\$1,115,800	\$1,115,800	\$1,115,800	\$1,115,800
(8) All Ineligible Costs	\$1,952,506	\$1,952,506		
(9) Developer Fees			\$2,870,923	
Developer overhead		\$370,053		\$370,053
Developer fee	\$2,932,308	\$2,405,347		\$2,405,347
(10) Development Reserves	\$200,000	\$287,568		
TOTAL DEVELOPMENT COSTS	\$25,411,738	\$24,468,143	\$22,010,410	\$21,278,069

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$22,010,410	\$21,278,069
High Cost Area Adjustment			130%	130%
TOTAL ADJUSTED BASIS			\$28,613,533	\$27,661,490
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$28,613,533	\$27,661,490
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$1,044,394	\$1,009,644
Syndication Proceeds		0.8199	\$8,563,174	\$8,278,256

Developer Evaluation

Compliance Status Summary

Project ID #: 02456 LIHTC 9% LIHTC 4%
Project Name: Primrose SA II Housing HOME HTF
Project City: San Antonio BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 7 # not yet monitored or pending review 7

of projects grouped by score 0-9: 7 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo En Taylor **Completed on** 10/28/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 10/28/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 10/28/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by EEF **Completed on** _____

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 10/28/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 10/28/2002

Executive Director: _____ **Date Signed:** _____



LOW INCOME HOUSING TAX CREDIT PROGRAM
2002 LIHTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
 Texas Department of Housing and Community Affairs

Development Name: **The Park at Kirkstall**

TDHCA#: 02457

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: N DDA: N TTC: N
 Development Owner: Harris Park Partners, L.P.
 General Partner(s): JAN-TX II, LLC, 100%, Contact: Cliff Bates
 Construction Category: New
 Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
 Development Type: Family

Annual Tax Credit Allocation Calculation

Applicant Request: \$687,827 Eligible Basis Amt: \$687,827 Equity/Gap Amt.: \$1,025,534
Annual Tax Credit Allocation Recommendation: \$687,827
 Total Tax Credit Allocation Over Ten Years: \$ 6,878,270

PROPERTY INFORMATION

Unit and Building Information

Total Units: 240 LIHTC Units: 240 % of LIHTC Units: 100%
 Gross Square Footage: 261,253
 Average Square Footage/Unit: 1071
 Number of Buildings: 30
 Currently Occupied: N

Development Cost

Total Cost: \$21,355,513 Total Cost/Net Rentable Sq. Ft.: \$83.08

Income and Expenses

Effective Gross Income:¹ \$2,002,932 Ttl. Expenses: \$899,720 Net Operating Inc.: \$1,103,212
 Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant: Not Utilized	Manager: Park Management
Attorney: Taylor, Covington & Smith	Architect: Humphreys & Partners
Accountant: Novogradac & Company, LLP	Engineer: Adams Consulting Engineers
Market Analyst: Jack Poe Company	Lender: South Trust Bank
Contractor: Unicorp, Inc.	Syndicator: South Trust Community Reinvestment Company, LLC

PUBLIC COMMENT²

From Citizens:	From Legislators or Local Officials:
# in Support: 0	Sen. Jon Lindsay, District 7 - NC
# in Opposition: 0	Rep. Harold Dutton, District 142 - NC
	Judge Robert A. Eckels - NC
	David Turkel, Director of Office of Housing & Economic Development of Harris County;; The Consolidated Plan of Harris County established a need for affordable rental housing.

1. Gross Income less Vacancy
 2. NC - No comment received, O - Opposition, S - Support

CONDITION(S) TO COMMITMENT

1. Per §49.7(i)(6) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Project Applications “must provide an executed agreement with a qualified service provider for the provision of special supportive services that would otherwise not be available for the tenants. The provision of such services will be included in the Declaration of Land Use Restrictive Covenants (“LURA”).”
2. Receipt, review and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing.
3. Receipt, review and acceptance of a site plan that clearly indicates all easements on the property.
4. Initial debt service does not appear to have the capacity to exceed \$1,002,939; therefore, firm financing commitments not subject to any lender due diligence are required and should be reviewed by underwriting staff for consistency with this evaluation.

DEVELOPMENT’S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond. Housing Type

Other Comments including discretionary factors (if applicable).

Charles E. Nwaneri, LIHTC Co-Manager

Date

David Burrell, Director of Housing Programs

Date

DEVELOPMENT’S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

Score Utilization of Set-Aside Geographic Distrib. Tax Exempt Bond Housing Type

Other Comments including discretionary factors (if applicable)._____

Edwina P. Carrington, Executive Director
Chairman of Executive Award and Review Advisory Committee

Date

TDHCA Board of Director’s Approval and description of discretionary factors (if applicable).

Chairperson Signature: _____
Michael E. Jones, Chairman of the Board

Date

**TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTI FAMILY CREDIT UNDERWRITING ANALYSIS**

DATE: December 2, 2002 PROGRAM: 4% LIHTC FILE NUMBER: 02457

DEVELOPMENT NAME

Park at Kirkstall

APPLICANT

Name: Harris Park Partners, LP Type: For Profit Non-Profit Municipal Other
 Address: PO Box 741 City: Jackson State: MS
 Zip: 39205 Contact: Cliff Bates Phone: (601) 321-7623 Fax: (601) 321-7693

PRINCIPALS of the APPLICANT

Name: <u>JAN-TX II, LLC</u>	(%): <u>0.1</u>	Title: <u>General Partner</u>
Name: <u>STCRC</u>	(%): <u>99.9</u>	Title: <u>Limited Partner</u>
Name: <u>Southeast Development, LLC</u>	(%): <u>n/a</u>	Title: <u>100% member GP</u>
Name: <u>JH Thames, Jr</u>	(%): <u>n/a</u>	Title: <u>70% owner Southeast Dev't</u>
Name: <u>Rodney F Triplett, Jr</u>	(%): <u>n/a</u>	Title: <u>30% owner Southeast Dev't</u>

GENERAL PARTNER

Name: JAN-TX II, LLC Type: For Profit Non-Profit Municipal Other
 Address: PO Box 741 City: Jackson State: MS
 Zip: 39205 Contact: Cliff Bates Phone: (601) 321-7623 Fax: (601) 321-7693

PROPERTY LOCATION

Location: Southeast corner of Airtex Boulevard and Brundage Drive QCT DDA
 City: Houston County: Harris Zip: 77090

REQUEST

<u>Amount</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Term</u>
\$687,827	n/a	n/a	n/a
Other Requested Terms:	<u>Annual ten-year allocation of low-income housing tax credits</u>		
Proposed Use of Funds:	<u>New Construction</u>		

SITE DESCRIPTION

Size: 17.67 acres 767,740 square feet Zoning/ Permitted Uses: n/a (Houston)
 Flood Zone Designation: Zone X Status of Off-Sites: Partially Improved

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

DESCRIPTION of IMPROVEMENTS

Total Units: 240 **# Rental Buildings:** 30 **# Common Area Bldgs:** 1 **# of Floors:** 2 **Age:** n/a yrs **Vacant:** n/a at / /

Number	Bedrooms	Bathroom	Size in SF
18	1	1	718
18	1	1	779
42	2	2	1,013
18	2	2	1,022
42	2	2	1,083
18	2	2	1,132
42	3	2	1,203
42	3	2	1,257

Net Rentable SF: 257,057 **Av Un SF:** 1,071 **Common Area SF:** 4,196 **Gross Bldng SF** 261,253

Property Type: Multifamily SFR Rental Elderly Mixed Income Special Use

CONSTRUCTION SPECIFICATIONS

STRUCTURAL MATERIALS

Wood frame on a concrete slab on grade, 30% brick veneer/70% Hardiplank siding exterior wall covering with wood trim, drywall interior wall surfaces, composite shingle roofing

APPLIANCES AND INTERIOR FEATURES

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

ON-SITE AMENITIES

Community room, management offices, fitness & laundry facilities, kitchen, restrooms, swimming pool, equipped children's play area, perimeter fencing with limited access gate

Uncovered Parking: 133 spaces **Carports:** n/a spaces **Garages: 240** 360 spaces

OTHER SOURCES of FUNDS

CREDIT ENHANCEMENT/LOC

Source: SouthTrust Bank **Contact:** Mark Brinton

Principal Amount: \$14,500,000 **Interest Rate:** Unknown

Additional Information: Tax-exempt bonds to be issued by Harris County Housing Finance Corporation

Amortization: n/a yrs **Term:** 5 yrs **Commitment:** None Firm Conditional

Annual Payment: _____ **Lien Priority:** 1st **Commitment Date** 10/ 23/ 2002

LIHTC SYNDICATION

Source: SouthTrust Community Reinvestment Compnay, LLC **Contact:** Dale Taylor

Address: 420 Noth 20th Street, 8th Floor **City:** Birmingham

State: AL **Zip:** 35203 **Phone:** (205) 254-5893 **Fax:** (205) 254-5501

Net Proceeds: \$5,478,526 **Net Syndication Rate** (per \$1.00 of 10-yr LIHTC) 84¢

Commitment None Firm Conditional **Date:** 10/ 23/ 2002

Additional Information: No pay-out schedule

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

APPLICANT EQUITY

Amount: \$1,236,056 **Source:** Deferred developer fee

VALUATION INFORMATION

ASSESSED VALUE

Land: 17.62 acres \$596,300 **Assessment for the Year of:** 2002
Tax Rate: 3.07627 **Valuation by:** Harris County Appraisal District

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control: Unimproved Real Estate Purchase and Sale Agreement (17.55 acres)
Contract Expiration Date: 10/ 15/ 2002 **Anticipated Closing Date:** 12/ 07/ 2002
Acquisition Cost: \$ 1,146,717 **Other Terms/Conditions:** \$1.50 per square foot; \$10K earnest money
Seller: 37.2 CP North, LP **Related to Development Team Member:** No

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Park at Kirkstall is a proposed new construction development of 240 units of affordable housing located in west Houston. The development is comprised of 30 residential buildings as follows:

- Nine Building Type I with four one-bedroom units and four three-bedroom units;
- Eighteen Building Type II with six two-bedroom units and two three-bedroom units; and
- Three Building Type III with four two-bedroom units and four three-bedroom units.

All of the residential buildings have an attached large one- or two-car garage for each unit. Based on the site plan the apartment buildings are distributed evenly throughout the site, with the community building, mailboxes, and swimming pool located near the entrance to the site. The 4,196-square foot community building plan includes a laundry facility, community room with kitchen, restrooms, children's activity area, fitness center and various mechanical rooms as well as management/leasing offices.

Supportive Services: The Applicant provided a signed supportive service agreement with Mississippi Housing and Community Services, Inc. to provide the following to tenants: resident activities, financial counseling, tax services, law enforcement safety seminars, church programs, health seminars, book vans, transportation services, and pet visit programs for the elderly. These services will be provided at no cost to tenants. The agreement does not specify a fee for these support services and the Applicant's operating budget does not include a supportive services expense.

Schedule: The Applicant anticipates construction to begin in January of 2003, to be completed in January of 2004, to be placed in service in January of 2005, and to be substantially leased-up in January of 2005.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside and as a Priority 2 private activity bond lottery development 100% of the units must have rents restricted to be affordable to households at or below 60% of AMGI.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	\$25,020	\$28,620	\$32,160	\$35,760	\$38,640	\$41,460

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Special Needs Set-Asides: The application did not specify that any of the units are specifically designated to be handicapped-accessible or equipped for tenants with hearing or visual impairments; however, the Applicant has signed the certification confirming that the development will meet minimum accessibility requirements under Section 504, Rehabilitation Act of 1973.

Compliance Period Extension: By virtue of the tax-exempt bond/LIHTC financing, the development is obligated to remain affordable throughout a 30-year compliance period.

MARKET HIGHLIGHTS

A market feasibility study dated October 24, 2002 was prepared by The Jack Poe Company, Inc. and highlighted the following findings:

Definition of Market/Submarket: “The Houston CMSA is technically referred to as the Secondary Market of Competition in this report.” (p. 11) “...two published surveys of the multifamily housing markets in Houston define the subject site to be located in the ‘Champions’ market generally described as a 20 square mile area bound by Interstate Highway 45 (east), Beltway 8 (south), SR 289 (west), and Spring Cypress Road (north).” (p. 28)

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
Type of Demand	Market Analyst		Underwriter	
	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	209	2%	205	2%
Resident Turnover	9,437	98%	9,573	98%
TOTAL ANNUAL DEMAND	9,646	100%	9,778	100%

Ref: p. 62

Capture Rate: “Two tax credit apartments have been built in the primary market in the last two years and neither has been stabilized for 12 months running – although both are stabilized now. They are the Pine Creek Townhomes (114 units) and the Park View apartments (120 units). These two complexes, plus the subject equal 474 units of new tax credit supply. The calculated inclusive capture rate is 4.9% (474/9,646 income qualified renter households).” (p. 64) Cypress Ridge (76), Cutten Trail (208) and Quail Chase (248) are located in the defined primary market area and received tax credit allocations in 2000 and 2002. The Underwriter was unable to find Pine Creek Townhomes and Park View apartments in the TDHCA databases. The Underwriter calculated a concentration capture rate of 5% based upon a supply of unstabilized comparable affordable units of 772 divided by a demand of 9,778.

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Market	Differential
1-Bedroom (718 SF)	\$596	\$601	-\$5	\$650	-\$54
1-Bedroom (745 SF)	\$596	\$601	-\$5	\$670	-\$74
2-Bedroom (1,006 SF)	\$716	\$717	-\$1	\$780	-\$64
2-Bedroom (1,013 SF)	\$716	\$717	-\$1	\$780	-\$64
2-Bedroom (1,082 SF)	\$716	\$717	-\$1	\$810	-\$94
2-Bedroom (1,131 SF)	\$716	\$717	-\$1	\$820	-\$104
3-Bedroom (1,187 SF)	\$827	\$825	+\$2	\$1,000	-\$173
3-Bedroom (1,257 SF)	\$827	\$825	+\$2	\$1,020	-\$193

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent = \$500, program max = \$600, differential = -\$100)

Submarket Vacancy Rates: “Physical vacancy in the secondary market increased slightly to 4.2% from 4.0% during the second half of 2002, and economic vacancy increased to 6.4% from 5.7% during the same time period. The physical vacancy in the primary market increased from 4.1% to 4.9% in the last six months. Additionally, economic vacancy increased to 6.7% from 5.4% during the same period.” (p. 31)

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Absorption Projections: "...new LIHTC apartments in Texas are leasing between 20 and 36 units per month in the lease up stage of their life cycle. Thus, a lease up rate of 25 units per month is reasonable..." (p. 65)

Known Planned Development: "One development with 240 units has been announced since year end 2001." (p. 30) "There are no LIHTC apartment complexes under construction in the primary market. There are two new tax credit complexes in the primary market that were built in the last two years and there is one complex that is planned (tax credits were awarded in 2001) but not yet built just outside the primary market." (p. 36)

The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject site is located at the northeast corner of Kirkstall Drive and Brundage Drive, 16 miles northwest of the Houston Central Business District.

Population: The estimated 2001 population of the primary market area was 196,641 and is expected to increase by 1.4% per year to approximately 210,193 by 2006. Within the primary market area there were estimated to be 70,241 households in 2001.

Adjacent Land Uses: The property is located in an area predominantly undeveloped land with residential and commercial development. Wooded undeveloped land, a business park, and Airtex Drive followed by wooded undeveloped land border the subject to the north. Blue Ash Drive borders the subject property to the east followed by undeveloped wooded land and residential. Kirkstall Drive, residential dwellings and the undeveloped wooded land border the subject property to the south. Brundage Drive borders the subject property to the west followed by undeveloped wooded land and residential dwellings.

Site Access: The principal thoroughfares servicing the Houston metropolitan area include the Sam Houston Tollway/Beltway 8, the 610 Loop, US Highway 59, Interstate Highway 45, Interstate Highway 10, and the Hardy Toll Road. Linkages to the primary market include Interstate 45, Beltway 8 and FM 1960. The interior north/south arteries are Ella Blvd. And Kuykendahl Rd.

Public Transportation: The availability of public transportation to the site is unknown.

Shopping & Services: Schools are located near Ella Blvd. To the north and within two miles of the subject's site. Retail and restaurants are also located in the area.

Special Adverse Site Characteristics: The title commitment lists a pipeline easement "20 feet in width over and across the subject tract" that is not clearly identified on the submitted site plan. Receipt, review and acceptance of a site plan that clearly indicates all easements on the property is a condition of this report.

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

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated November 14, 2002 was prepared by Professional Service Industries, Inc. and contained the following findings and recommendations:

"Based on investigation of the property for evidence of recognized environmental conditions and other environmental issues, PSI offers the following recommendations. Further investigation for the presence of recognized environmental conditions does not appear warranted at this time." (p. 3)

OPERATING PROFORMA ANALYSIS

Income: The Applicant's use of an outdated utility allowance sheet resulted in a potential gross rent figure that is \$2K less than the Underwriter's estimate. However, the Applicant's secondary income and vacancy and collection loss assumptions were inline with underwriting guidelines.

Expenses: The Applicant's total expense estimate is within 5% of the Underwriter's estimate. However, several of the Applicant's line-item expenses varied significantly as compared to the Underwriter's estimates. These include: general and administrative (\$23K lower); management fee (\$18K higher); and payroll (\$41K lower).

Conclusion: Overall, the Applicant's net operating income estimate is within 5% of the Underwriter's

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estimate. Because the Applicant's effective gross income, total expense and net operating income are all within 5% of the Underwriter's estimates, the Applicant's proforma is used to determine the development's debt service capacity. The Applicant's proforma and anticipated financing structure result in a debt coverage ratio (DCR) below the Department's minimum guideline of 1.10. The development's annual debt service must be limited to \$1,002,939 in order to reach a 1.10 Bonds-only DCR based on the Applicant's estimate. This is discussed in more detail in the financing structure analysis section of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

Land Value: The acquisition price of \$1.50 per square foot for an estimated 17.62 acres is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of \$6,500 per unit are considered reasonable compared to historical sitework costs for multifamily projects.

Direct Construction Cost: The Applicant's direct construction cost estimate is \$568,821 or 5% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate.

Fees: The Applicant's contractor's and developer's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines.

Conclusion: The Applicant's total development costs, which are within 5% of the Underwriter's estimate, were used to determine the eligible basis of \$18,844,588 and the development's total need for funds.

FINANCING STRUCTURE ANALYSIS

The Applicant intends to finance the development with three types of financing from three sources: tax-exempt bonds, syndicated LIHTC equity, and deferred developer's fees.

Bond-Financed Interim to Permanent Loan: SouthTrust Bank has offered to issue credit enhancement for the variable rate tax-exempt bonds in the amount of \$14,500,000 to be issued by the Harris County Housing Finance Corporation. The bank will also fund a required interest reserve in the amount of \$152,250. The credit enhancement will take the form of a letter of credit with an annual fee of 1.5% of the outstanding balance of the bonds. The commitment letter indicates that an interest rate cap of three years will result in an interest rate equal to the greater of the all-in rate or 6.50% while a term of five years would cause a reduction in the minimum interest rate to 6.25%. Furthermore, should the borrower enter into a low-floater rate swap agreement for a minimum of seven years, the interest rate will be equal to the swap rate plus all add-ons, but an estimate of this rate was not provided. Although the body of the uniform application indicates an amortization period of 40 years, all submitted documentation points to an amortization period of 27 years. This analysis assumes an amortization period of 27 years and an interest rate of 6.5%, based on the most conservative financing structure outlined in the submitted commitment.

LIHTC Syndication: SouthTrust Community Reinvestment Company, LLC has offered terms for syndication of the tax credits. The commitment letter shows net proceeds are anticipated to be \$5,478,526 based on a syndication factor of 84%. The submitted letter of interest did not specify a pay-in schedule for this development; however, a similar letter for another development with the same developer indicated funds would be disbursed in a eight-phased pay-in schedule:

1. 14.86% upon closing of partnership with Investor and funding under bond financing (closing date);
2. 14.86% upon the calendar quarter following the closing date;
3. 14.86% upon the second calendar quarter following the closing date;
4. 14.86% upon the third calendar quarter following the closing date;
5. 14.86% upon the fourth calendar quarter following the closing date;
6. 14.86% upon receipt of Certificates of Occupancy for all Project units and Line-free completion
7. 5.42% upon 95% lease-up with qualified tenants, and receipt of all IRS Forms 8609, stabilized occupancy (three consecutive months operations at 1.20 DSCR);
8. Balance upon receipt of Partnership Form K-1 or one partial or whole year's operations.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of \$1,236,056 amount to 60% of the total fees.

Financing Conclusions: As stated above, the Applicant's total development cost estimate was used to determine a recommended tax credit allocation of \$687,827 annually. The recommended allocation is equal to the Applicant's revised request.

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The Applicant's proforma was used to determine the development's debt service capacity resulting in a debt coverage ratio (DCR) that falls below the Department's minimum guideline of 1.10. The development's annual debt service must be limited to \$1,002,939 in order to reach a 1.10 Bonds-only DCR. Based on the most conservative financing structure outlined in the submitted commitment, mandatory redemption to resize the bond amount to \$12,749,235 is anticipated. This structure would require deferral of 100% of the proposed developer fees and a portion of the related party contractor fees. Receipt, review and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing is a condition of this report. The total deferred fees of \$2,834,305 are not repayable within 10 years of stabilized operation, but appear to be repayable within 15 years.

If the lower 6.25% rate projected for a five year minimum interest rate cap is alternatively pursued, the amount of debt could increase by \$316K and would result in an equal amount of reduction in deferred developer fees. Moreover, if the lower rate was used over the Applicant's suggested 40 year amortization, the full proposed debt amount would be serviceable within the Department's 1.10 to 1.25 DCR guideline. Thus, receipt, review and acceptance of final lender commitments not subject to any additional lender due diligence are required, but are likely not to have an effect on the recommended credit allocation.

REVIEW of ARCHITECTURAL DESIGN

The unit floorplans offer adequate storage space as well as washer/dryer closets. The units located on the second floor are accessed through private interior stairways. All of the units also have access to oversized one- or two-car garages. The exterior of the buildings are attractive with varied rooflines. The elevation for the community building indicates that it will be complimentary to the residential buildings.

IDENTITIES of INTEREST

The Applicant, developer, property manager and general contractor are related entities. These are common identities of interest for LIHTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The 70% Owner of the General Partner, J. H. Thames, Jr. has completed 93 LIHTC/affordable and conventional housing developments totaling 6,822 units since 1980.
- The 30% Owner of the General Partner, Rodney F. Triplett, Jr., has completed 44 LIHTC/affordable and conventional housing developments totaling 5,405 units since 1995.

SUMMARY OF SALIENT RISKS AND ISSUES

- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed/accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

RECOMMENDATION

- RECOMMEND APPROVAL OF AN LIHTC ALLOCATION NOT TO EXCEED \$687,827 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

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CONDITIONS

1. Receipt, review and acceptance of a commitment from the related party general contractor to defer fees as necessary to fill a potential gap in permanent financing.
2. Receipt, review, and acceptance of an acceptable TDHCA site inspection report.
3. Receipt, review and acceptance of a site plan that clearly indicates all easements on the property.
4. Initial debt service does not appear to have the capacity to exceed \$1,002,939; therefore, firm financing commitments not subject to any lender due diligence are required and should be reviewed by underwriting staff for consistency with this evaluation.

Credit Underwriting Supervisor:

Lisa Vecchietti

Date: December 2, 2002

Director of Credit Underwriting:

Tom Gouris

Date: December 2, 2002

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST: Comparative Analysis

Park at Kirkstall, Houston, LIHTC 02457

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Utilities	Trash Only
TC 60%	18	1	1	718	\$670	\$601	\$10,818	\$0.84	\$69.00	\$6.00
TC 60%	18	1	1	779	670	601	10,818	0.77	69.00	6.00
TC 60%	42	2	2	1,013	804	717	30,114	0.71	87.00	6.00
TC 60%	18	2	2	1,022	804	717	12,906	0.70	87.00	6.00
TC 60%	42	2	2	1,083	804	717	30,114	0.66	87.00	6.00
TC 60%	18	2	2	1,132	804	717	12,906	0.63	87.00	6.00
TC 60%	42	3	2	1,203	930	825	34,650	0.69	105.00	6.00
TC 60%	42	3	2	1,257	930	825	34,650	0.66	105.00	6.00
TOTAL:	240		AVERAGE:	1,071	\$828	\$737	\$176,976	\$0.69	\$90.60	\$6.00

INCOME Total Net Rentable Sq Ft: **257,057**

POTENTIAL GROSS RENT				
Secondary Income	Per Unit Per Month:	\$15.00		
Other Support Income: (describe)				
POTENTIAL GROSS INCOME				
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		
Employee or Other Non-Rental Units or Concessions				

TDHCA	APPLICANT
\$2,123,712	\$2,122,128
43,200	43,200
0	0
\$2,166,912	\$2,165,328
(162,518)	(162,396)
0	0
\$2,004,394	\$2,002,932

EXPENSES	% OF RGI	PER UNIT	PER SQ FT
General & Administrative	3.95%	\$330	\$0.31
Management	5.00%	418	0.39
Payroll & Payroll Tax	10.44%	872	0.81
Repairs & Maintenance	5.21%	435	0.41
Utilities	2.18%	182	0.17
Water, Sewer, & Trash	2.01%	167	0.16
Property Insurance	2.56%	214	0.20
Property Tax 3.07627	12.89%	1,077	1.01
Reserve for Replacements	2.39%	200	0.19
Other Expenses:	0.00%	0	0.00
TOTAL EXPENSES	46.63%	\$3,895	\$3.64

TDHCA	APPLICANT
\$79,240	\$56,400
100,220	120,920
209,280	168,000
104,333	108,000
43,623	36,000
40,193	42,000
51,411	56,400
258,407	264,000
48,000	48,000
0	0
\$934,708	\$899,720

PER SQ FT	PER UNIT	% OF RGI
\$0.22	\$235	2.82%
0.47	504	6.04%
0.65	700	8.39%
0.42	450	5.39%
0.14	150	1.80%
0.16	175	2.10%
0.22	235	2.82%
1.03	1,100	13.18%
0.19	200	2.40%
0.00	0	0.00%
\$3.50	\$3,749	44.92%

NET OPERATING INC	53.37%	\$4,457	\$4.16
DEBT SERVICE			
First Lien Mortgage	56.91%	\$4,753	\$4.44
TDHCA Compliance	0.00%	\$0	\$0.00
Supportive Services	0.00%	\$0	\$0.00
NET CASH FLOW	-3.54%	(\$296)	(\$0.28)

TDHCA	APPLICANT
\$1,069,686	\$1,103,212
\$1,140,666	\$1,018,694
0	0
0	29,060
(\$70,980)	\$55,458

PER SQ FT	PER UNIT	% OF TOTAL
\$4.29	\$4,597	55.08%
\$3.96	\$4,245	50.86%
\$0.00	\$0	0.00%
\$0.11	\$121	1.45%
\$0.22	\$231	2.77%

AGGREGATE DEBT COVERAGE RATIO

0.94	1.05
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ALTERNATIVE BONDS-ONLY DEBT COVERAGE RATIO

1.10

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT
Acquisition Cost (site or bldg)		5.25%	\$4,792	\$4.47
Off-Sites		0.00%	0	0.00
Sitework		7.12%	6,500	6.07
Direct Construction		52.02%	47,520	44.37
Contingency	4.66%	2.75%	2,516	2.35
General Req'ts	5.50%	3.25%	2,973	2.78
Contractor's G & J	1.86%	1.10%	1,006	0.94
Contractor's Prof:	5.59%	3.30%	3,019	2.82
Indirect Construction		3.26%	2,979	2.78
Ineligible Costs		4.13%	3,775	3.52
Developer's G & A	0.00%	0.00%	0	0.00
Developer's Profit	11.83%	9.37%	8,558	7.99
Interim Financing		6.37%	5,817	5.43
Reserves		2.08%	1,896	1.77
TOTAL COST		100.00%	\$91,351	\$85.29

TDHCA	APPLICANT
\$1,150,000	\$1,150,000
0	0
1,560,000	1,560,000
11,404,871	10,836,050
603,818	603,818
713,549	713,549
241,527	241,527
724,582	724,582
715,000	715,000
905,925	905,925
0	0
2,053,987	2,053,987
1,396,075	1,396,075
455,000	455,000
\$21,924,334	\$21,355,513

PER SQ FT	PER UNIT	% of TOTAL
\$4.47	\$4,792	5.39%
0.00	0	0.00%
6.07	6,500	7.30%
42.15	45,150	50.74%
2.35	2,516	2.83%
2.78	2,973	3.34%
0.94	1,006	1.13%
2.82	3,019	3.39%
2.78	2,979	3.35%
3.52	3,775	4.24%
0.00	0	0.00%
7.99	8,558	9.62%
5.43	5,817	6.54%
1.77	1,896	2.13%
\$83.08	\$88,981	100.00%
\$57.11	\$61,165	68.74%

Recap-Hard Construction Costs

SOURCES OF FUNDS			
First Lien Mortgage	66.14%	\$60,417	\$56.41
Additional Financing	0.00%	\$0	\$0.00
LIHTC Syndication Proceeds	25.63%	\$23,414	\$21.86
Deferred Developer Fees	5.64%	\$5,150	\$4.81
Additional (excess) Funds Req'd	2.59%	\$2,370	\$2.21
TOTAL SOURCES			

TDHCA	APPLICANT
\$14,500,000	\$14,500,000
0	0
5,619,457	5,619,457
1,236,056	1,236,056
568,821	0
\$21,924,334	\$21,355,513

RECOMMENDED
\$12,749,235
0
5,771,973
2,834,305
0
\$21,355,513

MULTIFAMILY FINANCIAL ASSISTANCE REQUEST (continued)

Park at Kirkstall, Houston, LIHTC 02457

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			\$41.75	\$10,731,191
Adjustments				
Exterior Wall Fini	3.10%		\$1.29	\$332,667
9' ceiling	3.00%		1.25	321,936
Roofing			0.00	0
Subfloor			(1.01)	(259,628)
Floor Cover			1.92	493,550
Porches/Balconies	\$29.24	24573	2.80	718,510
Plumbing	\$615	612	1.46	376,380
Built-In Appliance	\$1,625	240	1.52	390,000
Interior Stairs	\$865	180	0.61	155,700
Floor Insulation			0.00	0
Heating/Cooling			1.47	377,874
Attached Garages	\$11.36	108,081	4.78	1,227,800
Comm &/or Aux Bldg	\$55.28	4,196	0.90	231,960
Other:			0.00	0
SUBTOTAL			58.73	15,097,941
Current Cost Multiplier	1.02		1.17	301,959
Local Multiplier	0.91		(5.29)	(1,358,815)
TOTAL DIRECT CONSTRUCTION COSTS			\$54.62	\$14,041,085
Plans, specs, survy, b	3.90%		(\$2.13)	(\$547,602)
Interim Construction I	3.38%		(1.84)	(473,887)
Contractor's OH & Prof	11.50%		(6.28)	(1,614,725)
NET DIRECT CONSTRUCTION COSTS			\$44.37	\$11,404,871

PAYMENT COMPUTATION

Primary	\$14,500,000	Amort	324
Int Rate	6.50%	DCR	0.94

Secondary	\$0	Amort	
Int Rate	0.00%	Subtotal DCR	0.94

Additional	\$5,619,457	Amort	
Int Rate		Aggregate DCR	0.94

RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI):

Primary Debt Service	\$1,002,939
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	\$100,273

Primary	\$12,749,235	Amort	324
Int Rate	6.50%	DCR	1.10

Secondary	\$0	Amort	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	\$5,619,457	Amort	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	\$2,122,128	\$2,185,792	\$2,251,366	\$2,318,907	\$2,388,474	\$2,768,896	\$3,209,909	\$3,721,164	\$5,000,934
Secondary Income	43,200	44,496	45,831	47,206	48,622	56,366	65,344	75,751	101,804
Other Support Income: (d)	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,165,328	2,230,288	2,297,196	2,366,112	2,437,096	2,825,262	3,275,253	3,796,916	5,102,737
Vacancy & Collection Los	(162,396)	(167,272)	(172,290)	(177,458)	(182,782)	(211,895)	(245,644)	(284,769)	(382,705)
Employee or Other Non-Re:	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	\$2,002,932	\$2,063,016	\$2,124,907	\$2,188,654	\$2,254,314	\$2,613,367	\$3,029,609	\$3,512,147	\$4,720,032
EXPENSES at 4.00%									
General & Administrative	\$56,400	\$58,656	\$61,002	\$63,442	\$65,980	\$80,275	\$97,667	\$118,826	\$175,892
Management	100,220	103,151	106,245	109,433	112,716	130,668	151,480	175,607	236,002
Payroll & Payroll Tax	168,000	174,720	181,709	188,977	196,536	239,116	290,922	353,951	523,933
Repairs & Maintenance	108,000	112,320	116,813	121,485	126,345	153,718	187,021	227,540	336,814
Utilities	43,623	45,368	47,183	49,070	51,033	62,090	75,542	91,908	136,046
Water, Sewer & Trash	42,000	43,680	45,427	47,244	49,134	59,779	72,730	88,488	130,983
Insurance	51,411	53,468	55,607	57,831	60,144	73,175	89,028	108,316	160,335
Property Tax	264,000	274,560	285,542	296,964	308,843	375,754	457,163	556,208	823,324
Reserve for Replacements	48,000	49,920	51,917	53,993	56,153	68,319	83,120	101,129	149,695
Other	0	0	0	0	0	0	0	0	0
TOTAL EXPENSES	\$899,720	\$915,843	\$951,445	\$988,441	\$1,026,884	\$1,242,894	\$1,504,673	\$1,821,973	\$2,673,025
NET OPERATING INCOME	\$1,103,212	\$1,147,173	\$1,173,461	\$1,200,213	\$1,227,430	\$1,370,473	\$1,524,936	\$1,690,174	\$2,047,007
DEBT SERVICE									
First Lien Financing	\$1,002,939	\$1,002,939	\$1,002,939	\$1,002,939	\$1,002,939	\$1,002,939	\$1,002,939	\$1,002,939	\$1,002,939
Second Lien	0	0	0	0	0	0	0	0	0
Other Financing	0	0	0	0	0	0	0	0	0
NET CASH FLOW	\$100,273	\$144,234	\$170,523	\$197,274	\$224,491	\$367,535	\$521,997	\$687,235	\$1,044,069
DEBT COVERAGE RATIO	1.10	1.14	1.17	1.20	1.22	1.37	1.52	1.69	2.04

LIHTC Allocation Calculation - Park at Kirkstall, Houston, LIHTC 02457

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost				
Purchase of land	\$1,150,000	\$1,150,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	\$1,560,000	\$1,560,000	\$1,560,000	\$1,560,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation ha	\$10,836,050	\$11,404,871	\$10,836,050	\$11,404,871
(4) Contractor Fees & General Requirements				
Contractor overhead	\$241,527	\$241,527	\$241,527	\$241,527
Contractor profit	\$724,582	\$724,582	\$724,582	\$724,582
General requirements	\$713,549	\$713,549	\$713,549	\$713,549
(5) Contingencies	\$603,818	\$603,818	\$603,818	\$603,818
(6) Eligible Indirect Fees	\$715,000	\$715,000	\$715,000	\$715,000
(7) Eligible Financing Fees	\$1,396,075	\$1,396,075	\$1,396,075	\$1,396,075
(8) All Ineligible Costs	\$905,925	\$905,925		
(9) Developer Fees				
Developer overhead				
Developer fee	\$2,053,987	\$2,053,987	\$2,053,987	\$2,053,987
(10) Development Reserves	\$455,000	\$455,000		
TOTAL DEVELOPMENT COSTS	\$21,355,513	\$21,924,334	\$18,844,588	\$19,413,409

Deduct from Basis:				
All grant proceeds used to finance costs in eligible basis				
B.M.R. loans used to finance cost in eligible basis				
Non-qualified non-recourse financing				
Non-qualified portion of higher quality units [42(d)(3)]				
Historic Credits (on residential portion only)				
TOTAL ELIGIBLE BASIS			\$18,844,588	\$19,413,409
High Cost Area Adjustment			100%	100%
TOTAL ADJUSTED BASIS			\$18,844,588	\$19,413,409
Applicable Fraction			100%	100%
TOTAL QUALIFIED BASIS			\$18,844,588	\$19,413,409
Applicable Percentage			3.65%	3.65%
TOTAL AMOUNT OF TAX CREDITS			\$687,827	\$708,589
Syndication Proceeds			0.8392	\$5,771,973
				\$5,946,199

Developer Evaluation

Compliance Status Summary

Project ID #: 02457

LIHTC 9% LIHTC 4%

Project Name: The Park @ Kirkstall Apartments

HOME HTF

Project City:

BOND SECO

Housing Compliance Review

Project(s) in material non-compliance

No previous participation

Status of Findings (individual compliance status reports and National Previous Participation and Background Certification(s) available)

Projects Monitored by the Department

reviewed 0 # not yet monitored or pending review 0

of projects grouped by score 0-9: 0 10-19: 0 20-29: 0

Members of the development team have been disbarred by HUD

National Previous Participation Certification Received Yes

Non-Compliance Reported No

Completed by Jo Taylor **Completed on** 11/04/2002

Single Audit

Status of Findings (any outstanding single audit issues are listed below)

single audit not applicable no outstanding issues outstanding issues

Comments:

Completed by Lucy Trevino **Completed on** 11/04/2002

Program Monitoring

Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Ralph Hendrickson **Completed on** 11/04/2002

Community Affairs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by EEF **Completed on** 11/14/2002

Housing Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by _____ **Completed on** _____

Housing Programs Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by S. Roth **Completed on** 12/02/2002

Multifamily Finance Status of Findings (any unresolved issues are listed below)

monitoring review not applicable monitoring review pending

reviewed; no unresolved issues reviewed; unresolved issues found

Comments:

Completed by Robbye Meyer **Completed on** 11/05/2002

Executive Director: Edwina Carrington **Date Signed:** ember 06, 2002

AGENDA ITEM NO. 5(b)

Action Item

Request for extensions of deadline to commence substantial construction.

Required Action

Approve requests for extensions of commencement of substantial construction.

Background and Recommendations

Pertinent facts about the developments requesting extensions of the deadline to commence substantial construction are summarized below. Each request was accompanied by a mandatory \$2,500 extension request fee. Staff has reviewed the information and recommends granting the extensions pursuant to Section 50.11(h) of the 2001 QAP.

The developments listed below fulfilled the Commencement of Construction requirement for actual construction; however, the subject developers did not file progress reports with TDHCA by the required date of November 8. After a thorough review, staff recommends that each of the developments be given retroactive extensions from November 8 through December 17 for providing progress reports on commencement of construction.

01002 La Vista Townhomes, Del Rio
01004 Fulton Village Apartments, Houston
01005 Chaparral Townhomes, Allen
01011 Oak Timbers-White Settlement Apartments, White Settlement
01032 Cantibury Pointe Apartments, Lubbock
01034 Stonegate at Alvin Apartments, Alvin
01051 Eldorado Village, Brownsville
01057 Timbercreek Apartments, Dallas
01058 Highland Gardens Apartments, Harlingen
01063 Science Park Seniors Apartments, San Antonio
01064 O'Connor Road Seniors Apartments
01078 Rancho de Luna Apartments, Robstown
01121 Main Street Townhomes, Paris
01149 Clark's Crossings Apartments, Laredo

Staff Recommendation: Grant extensions as requested

The developments listed below did not meet the commencement of construction requirement by November 8 and did not submit progress reports until notified of the omissions by TDHCA.

LIHTC Development No. 01037, Bachon Townhomes

Summary of Request: The City of Wylie issued building permits on October 31, 2002. Forms are currently being set for foundations.

Applicant:	Bachon Investments, L.P.
General Partner:	Bachon Resources, Inc.
Contacts/Interested Parties:	Jill Bradon, Jay Oji
City/County:	Wylie/Collin
Set-Aside:	General/Family
Type of Development:	New Construction
Units:	90 LIHTC and 30 market rate units
2001 Allocation:	\$740,600
Allocation per LIHTC Unit:	\$8,229
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Request was submitted late
Current Deadline:	November 8, 2002
New Deadline Requested:	January 2, 2003
Prior Extensions:	None
Staff Recommendation:	Grant extension as requested.

LIHTC Development No. 01050, Ewing Villas

Summary of Request: Building permits were issued by the City of Dallas on November 5, 2002. The site required retaining walls, 60% of which have been completed. Pads for foundations are nearing completion.

Applicant:	SDC Investments, L.P.
General Partner:	Sphinx Development Corporation
Contacts/Interested Parties:	Jay Oji
City/County:	Dallas/Dallas
Set-Aside:	General/Family
Type of Project:	New Construction
Units:	60 LIHTC and 20 market rate units
2001 Allocation:	\$685,000
Allocation per LIHTC Unit:	\$11,417
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Request was submitted late
Current Deadline:	November 8, 2002
New Deadline Requested:	January 31, 2003
Prior Extensions:	None
Staff Recommendation:	Grant extension as requested.

LIHTC Development No. 01076, Laurel Point Senior Apartments

Summary of Request: On November 8, 2002, Applicant had completed some forms for foundation pours, 95% of site earthwork, 100% of storm water system, 100% of sanitary system and 75% of water lines.

Applicant: Laurel Point, L.P.
General Partner: Picerne Laurel Point, LLC
Contacts/Interested Parties: Richard Haley, Robert Picerne, Ronald Picerne
City/County: Houston/Harris
Set-Aside: General/Family
Type of Project: New Construction
Units: 110 LIHTC and 38 market rate units
2001 Allocation: \$454,460
Allocation per LIHTC Unit: \$4,131
Extension Request Fee Paid: \$2,500
Type of Extension Request: Commencement of construction
Note on Time of Request: Request was submitted late
Current Deadline: November 8, 2002
New Deadline Requested: December 31, 2002
Prior Extensions: Closing construction loan extended from 6/15/02 to 8/16/02
Staff Recommendation: Grant extension as requested.

LIHTC Development No. 01077, Bell Oaks Village II

Summary of Request: Applicant received an extension to close the construction loan to July 31, 2002. Rain has contributed to delay development. Building permits have been issued. Working with Muni Mae Midland, the developer has closed on the construction loan and equity and has received a forward commitment on the permanent loan. As of November 21, roads have been constructed and utilities will commence construction in the week ending December 7.

Applicant: Bell Oaks Village II, Ltd.
General Partner: Multi-Family Mission Ministries
Contacts/Interested Parties: George Rush, Sr., David Mugeurza
City/County: Bellville/Austin
Set-Aside: Nonprofit/Family
Type of Project: New Construction
Units: 32 LIHTC units
2001 Allocation: \$169,103
Allocation per LIHTC Unit: \$5,284
Extension Request Fee Paid: \$2,500
Type of Extension Request: Commencement of construction
Note on Time of Request: Request was submitted late
Current Deadline: November 8, 2002
New Deadline Requested: February 3, 2003
Prior Extensions: Carryover extended from 10/21/01 to 11/30/01
Closing construction loan extended from 6/15/02 to 7/31/02
Staff Recommendation: Grant extension as requested.

LIHTC Development No. 01108, Logan's Pointe Apartments

Summary of Request: As of November 26, 2002 Applicant had some foundations poured. Framing is scheduled to begin in the second week of January.

Applicant:	Bayou Pointe, Ltd.
General Partner:	Lone Star Housing Corporation, Bayou Pointe, Inc.
Contacts/Interested Parties:	Melanie Bunstine Laile, Michael Hartman
City/County:	Mount Vernon/Franklin
Set-Aside:	General/Family
Type of Project:	New Construction
Units:	100 LIHTC units
2001 Allocation:	\$614,176
Allocation per LIHTC Unit:	\$6,142
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Request was submitted late
Current Deadline:	November 8, 2002
New Deadline Requested:	January 31, 2003
Prior Extensions:	Carryover extended from 10/12/01 to 11/9/01
Staff Recommendation:	Grant extension as requested.

LIHTC Development No. 01111, Village at Meadowbend Apartments

Summary of Request: Applicant received two (2) extensions to close the construction loan. The loan closed September 12, 2002. Applicant reported that grading and foundation work are underway.

Applicant:	Village at Meadowbend, LP
General Partner:	Encinas Group of Texas, Inc.
Contacts/Interested Parties:	Bill Encinas
City/County:	Temple/Bell
Set-Aside:	General/Family
Type of Project:	New Construction
Units:	103 LIHTC and 35 market rate units
2001 Allocation:	\$810,185
Allocation per LIHTC Unit:	\$7,866
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Request was submitted late
Current Deadline:	November 8, 2002
New Deadline Requested:	February 3, 2003
Prior Extensions:	Closing construction loan extended from 6/15/02 to 8/15/02 Closing construction loan extended from 8/15/02 to 9/14/02
Staff Recommendation:	Grant extension as requested.

LIHTC Development No. 01143, Laredo Vista Apartments

Summary of Request: As a development on the 2001 Waiting List, this development was awarded all 2001 returned credits available on December 31, 2001. In order to use the remaining available returned credits of the Department on December 31, 2001, the development had to be redesigned from 160 units to 45 units. The developer closed on the construction loan and on the equity funding. All necessary zoning and variances have been approved and the City of Laredo has indicated that building permits will be issued this month.

Applicant:	Laredo Vista, L.P.
General Partner:	Laredo Vista Housing Development, LLC
Contacts/Interested Parties:	Raul Loya, Bill Fisher
City/County:	Laredo/Webb
Set-Aside:	General/Family
Type of Project:	New Construction
Units:	38 LIHTC and 7 market rate units
2001 Allocation:	\$299,256
Allocation per LIHTC Unit:	\$7,875
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Request was submitted late
Current Deadline:	November 8, 2002
New Deadline Requested:	January 31, 2003
Prior Extensions:	Construction loan closing extended from 6/15/02 to 8/8/02. The loan closed late because TDHCA did not complete its underwriting report until 6/11/02. The construction loan closed on 7/1/02.
Staff Recommendation:	Grant extension as requested.

LIHTC Development No. 01148, Cedar Point Apartments

Summary of Request: As of November 25, foundations were being poured. Applicant reported that he was not allowed to begin construction until after the city completed road construction.

Applicant:	Cedar Point Apartments, L.P.
General Partner:	KRR Construction, Inc.
Contacts/Interested Parties:	Joseph Kemp
City/County:	Mansfield/Tarrant
Set-Aside:	General/Family
Type of Project:	New Construction
Units:	132 LIHTC and 44 market rate units
2001 Allocation:	\$800,788
Allocation per LIHTC Unit:	\$6,067
Extension Request Fee Paid:	\$2,500
Type of Extension Request:	Commencement of construction
Note on Time of Request:	Request was submitted late
Current Deadline:	November 8, 2002
New Deadline Requested:	January 27, 2003
Prior Extensions:	None
Staff Recommendation:	Grant extension as requested.

RESOLUTION NUMBER 02-71
RESOLUTION OF THE BOARD OF DIRECTORS
RESCINDING RESOLUTION NO. 02-11 AND
DESIGNATING NEW SIGNATURE AUTHORITY

WHEREAS, the Texas Department of Housing and Community Affairs, a public and official governmental agency of the State of Texas, (the "Department") was created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended; 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 participating interests therein, secured by mortgages on residential housing in the State of Texas (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; and

WHEREAS, on February 21, 2002, the Governing Board adopted Resolution 02-11, designating signature authority for bond and real estate transactions; and

WHEREAS, the Governing Board has now determined that Resolution 02-11 designating signature authority should be rescinded because of the reorganization of the Department, and new signature authorities designated.

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

Section 1 – Rescission of Prior Signature Authority. The Governing Board hereby rescinds Resolution 02-11.

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 Executive Director or the Acting Executive Director, the Deputy Executive Director of Housing Operations, the Deputy Executive Director of Programs, the Chief of Agency Administration, the Controller, the Director of Bond Finance, the Director of Single Family Finance Production, and the Director of Multifamily Finance Production 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 bond transactions.

Section 3 -- Designation Of Signature Authority For Real Estate Transactions. The Governing Board hereby authorizes and designates the Executive Director or the Acting Executive Director, the Board Secretary, the Deputy Executive Director of Housing Operations, the Deputy Executive Director of Programs, the Chief of Agency Administration, the Controller, the Director of Multifamily Finance Production, and the Director of Single Family Finance Production as signatories for single family and multifamily real estate transactions including, but not limited to loan commitments, notices and disclosures, LURAs, construction loan agreements, releases of liens, transfers of liens, notices of invalidity of oral agreements, lender/consumer agreements on method of providing disbursement, demand letters, repurchase letters, 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 transactions.

Section 4 -- Execution of Documents. The Governing Board hereby authorizes the Executive Director or the Acting Executive Director to execute, on behalf of the Department, any and all documents necessary to effect this Resolution.

Section 5 -- Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 6 -- Notice of Meeting. That written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting, that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the *Texas Register* at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register and Administrative Code Acts, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the *Texas Register* not later than seven (7) days before the meeting of the Board, as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 17th day of December, 2002.

Chair of the Governing Board

[SEAL]
ATTEST:

Secretary to the Board

REPORT ITEMS

Executive Directors Report

Edwina Carrington

 Manufactured Homes in Colonias

 Sunset Report

 Issue 1 - TDHCA Letter of Support

 Proposed Draft Amendments to Texas Government Code, Chapter 2306

 Project Access Update

 Revised Organization Chart

MANUFACTURED HOMES IN COLONIAS

The Manufactured Housing Division, in the course of administering the Texas Manufactured Housing Standards Act, determined that a manufactured home had been sold as a “wind zone 2” home, constructed to be installed in coastal counties, was in fact a “wind zone 1” home, constructed for installation in inland counties only, and upon determining that the party responsible was no longer in business, proceeded to remedy this matter through the utilization of the Homeowners’ Recovery Fund.

The Homeowners’ Recovery Fund, with A-1/Chamption Homes, arranged for the obtaining of a replacement home and contacted TDHCA regarding the use of the wind zone 1 home.

Manufactured Housing contacted a number of other parties to assist with the contribution of equipment, fixtures, and labor, to address housing needs identified by TDHCA.

The home was then moved, delivered and set up in the Colonias in Eagle Pass, where it will be a new home for a family.

December 4, 2002

Mr. Joey Longley, Director
Sunset Advisory Commission
1501 N. Congress, 6th Floor
Austin, Texas 78701

Dear Mr. Longley:

The Texas Department of Housing and Community Affairs (TDHCA) fully supports the Sunset Advisory Commission staff recommendations regarding the Department and, more specifically, the staff's recommendation on Issue 1 - Texas Has A Continuing Need for the Texas Department of Housing and Community Affairs. We also support the Key Recommendation that states "continue the Texas Department of Housing and Community Affairs for 12 years".

We believe that there is a critical need in Texas for an agency devoted to meeting affordable housing and community affairs needs of our state's citizens. We confidently embrace that mission and believe that the Texas Legislature can entrust TDHCA with this important role.

Sincerely,

Edwina P. Carrington
Executive Director

EPC/dg

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

MEMORANDUM

TO: Marcelo Guevara
Project Manager, Sunset Advisory Commission

FROM: Edwina P. Carrington
Executive Director

DATE: December 3, 2002

SUBJECT: Explanation of Proposed Draft Amendments to Chapter 2306

This memorandum summarizes and explains the statutory changes proposed by TDHCA in the draft bill attached. The memorandum is divided into two parts: The first part includes proposed substantive amendments and the second part is composed of purely clean-up changes. All statutory section references are to the Government Code unless otherwise stated.

Part One: Substantive Changes

SECTION 1 of the bill:

Section 2306.004(14) "Definitions." This subsection is amended by the addition of "public housing authority" to the definition of "Housing sponsor" in order to facilitate bond transactions with these public corporations. This change is necessary since the Office of the Attorney General has taken the position that PHAs do not fall within the current definition.

SECTION 3 of the bill.

Section 2306.032(c) and (d) "Board Meetings." These subsections are amended to allow exceptions to the requirement that all material to be considered by TDHCA's board must be posted on TDHCA's website at least seven days before the board meeting by only requiring the posting of items that involve an award decision or approval of rules by the board, not report items. In addition, this subsection is amended to allow supplemental postings 72 hours before the board meeting if a reasonably unforeseen situation arises after the posting.

SECTION 4 of the bill.

Section 2306.0721(c)(12) "Low Income Housing Plan." This subsection is amended to incorporate the requirements of TDHCA's current Rider 19 and Section 2306.591 relating to the annual colonia needs assessment and biennial action plan in the State Low Income Housing Plan and Report.

SECTION 5 of the bill.

Section 2306.111(d) "Housing Funds." This subsection is amended to revise the regional allocation formula for housing funds to allow allocations on a non-regional basis for contracts for deeds conversions and for set asides which represent 15% or less of the total annual allocation, in addition to the exceptions currently authorized by federal and state law.

SECTION 6 of the bill.

Section 2306.142(l)- (o) "Authorization of Bonds." These subsections are amended to remove the requirement that at least 40% of TDHCA's single family mortgage revenue

bonds (MRBs) be allocated for underserved economic and geographic markets and, instead, require TDHCA to make this allocation its “highest priority.” In addition, the related provision in Subsection (m) is deleted since appeals to the Bond Review Board for an inability to meet the 40% requirement would no longer be necessary. The remaining subsections are renumbered accordingly.

SECTION 7 of the bill.

Section 2306.185(e) “Long-Term Affordability and Safety of Multifamily Rental Housing Developments.” This subsection is amended to commence the 30-year affordability period for new multifamily housing developments funded at a certain level by TDHCA beginning with the date the funding recipient completes construction of the development, rather than from the date the recipient takes legal possession. This revision will limit the 30-year affordability requirement to only those completed projects in which TDHCA funding is significant.

SECTION 9 of the bill.

Section 2306.6702 “Definitions.” This section is amended to revise the following definitions that govern the low income housing tax credit (LIHTC) program:

(5)(A) “At-Risk development:” This subsection is amended to add the LIHTC program (26 U.S.C. Sec.42) to the list of federal programs from which a developer is authorized to have received assistance in order to qualify under the at-risk set aside.

(16) “Unit” This subsection is amended to allow single room occupancy housing units to be more easily eligible for assistance by removing the requirement that they must have separate facilities for eating and cooking within the unit.

SECTION 10 of the bill.

Subsection 2306.6710(b)(2) is amended to expand the penalties on LIHTC applicants and affiliates who request extensions of TDHCA deadlines to include all who requested extensions, not just the applicants and affiliates who made requests in the application round preceding the current round.

SECTION 11 of the bill.

Section 2306.6716(b) “Fees.” This subsection is amended to revise the date by which a schedule of LIHTC application fees must be published from July 1 to an annual requirement.

SECTION 12 of the bill.

This section of the bill repeals the following sections of Chapter 2306, Government Code:

- Sec. 2306.072(d) “Annual Low Income Housing Report.” This subsection is repealed to remove the requirement for TDHCA to include recommendations concerning the Neighborhood Partnership Program in the State Low Income Housing Plan and Report. The Neighborhood Partnership Program was established by a previous TDHCA executive director and the program is no longer in operation.
- Section 2306.591, “Biennial Action Plan.” This section is deleted since its requirements are proposed for incorporation into the State Low Income Housing Plan and Report at Section 2306.0721(c)(12).

SECTION 13. This Section provides that the bill takes effect September 1, 2003.

Part Two. Clean-up Changes

SECTION 2 of the bill.

Section 2306.021(b) “Department Divisions.” This subsection is amended to remove the “community development division” as an authorized division within TDHCA since the Community Development Block Grant (CDBG) program was transferred to the Office of Rural Community Affairs last session. The

amendment also adds TDHCA's board as a creator of divisions since, with the addition of Section 2306.0521 last session, the executive director no longer has sole authority to create divisions.

SECTION 8 of the bill.

Section 2306.252(b)(4)-(18) "Housing Resource Center.". These subsections are deleted since they relate to TDHCA's former local government services section that was transferred to ORCA last session. These subsections were inexplicably added to the Housing Resource Center and should be removed so as not to confuse TDHCA's mission with ORCA's.

SECTION 12 of the bill.

This section of the bill repeals Section 2306.590, as added by Section 1.27, Chapter 1367, Acts of the 77th Legislature, Regular Session, 2001, "Colonia Initiatives Advisory Committee." This section is deleted as the authority over this committee was given to the Texas Water Development Board pursuant to Section 37, Chapter 1234, Acts of the 77th Legislature, Regular Session, 2001.

Encl.

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Project Access Update

Project Access is a housing voucher pilot program developed by the U. S. Department of Housing and Urban Development (HUD), the U. S. Department of Health and Human Services (HHS), and the Institute on Disability at the University at New Hampshire. Project Access assists low-income non-elderly persons with disabilities to transition from nursing facilities into the community by providing access to affordable housing and necessary supportive services. HUD provides Section 8 rental assistance and HHS provides supportive services through Nursing Home Transition Grants and Medicaid waivers. TDHCA received 35 Section 8 housing vouchers from HUD. On May 10, 2002, TDHCA along with the Texas Health and Human Services Commission (HHSC) and the Texas Department of Human Services (DHS) entered into a Memorandum of Understanding as a requirement to receive the vouchers. The MOU describes the specific roles, responsibilities, and activities each agency will undertake to ensure the successful implement of Project Access.

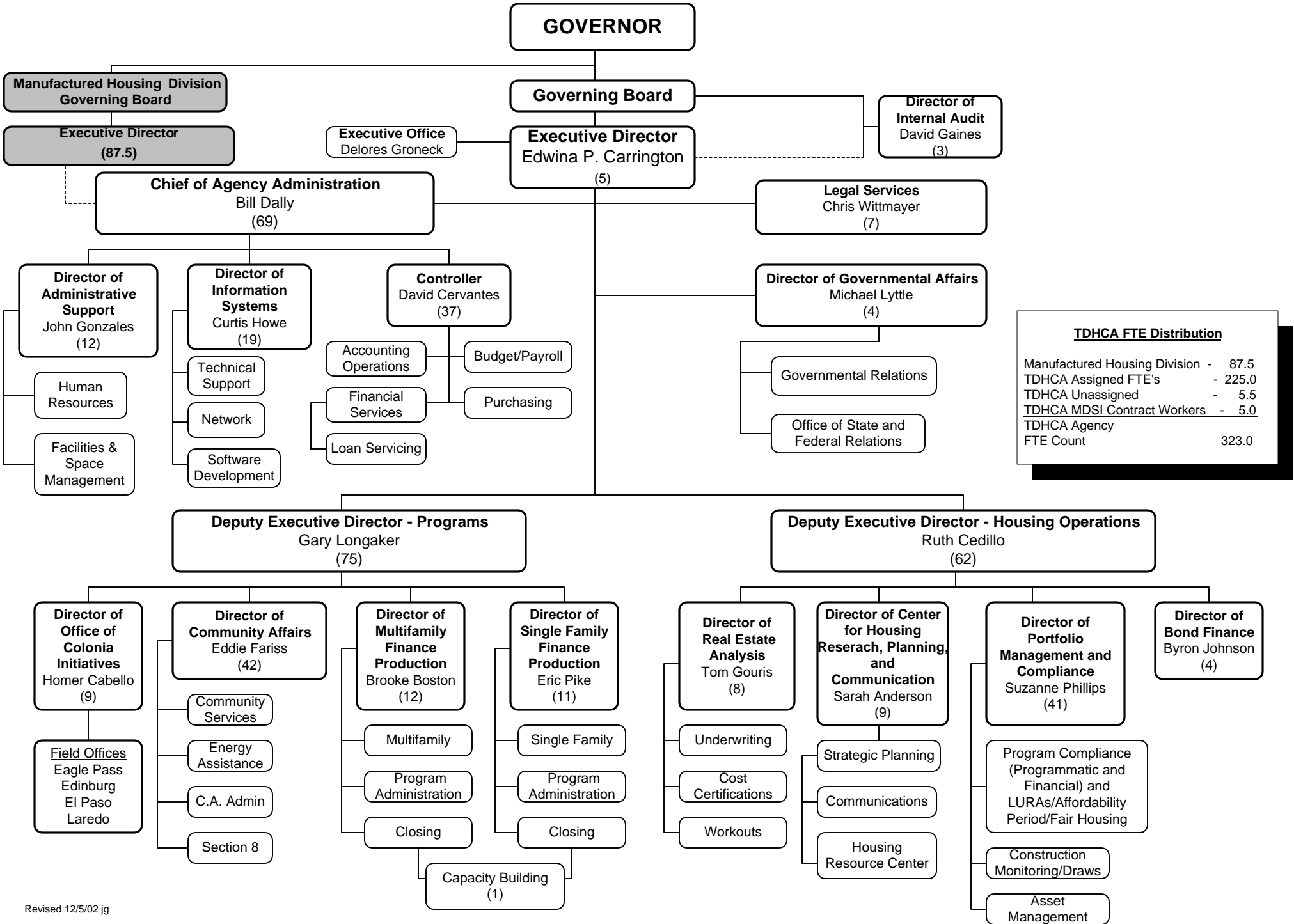
HHSC, the lead agency in charge of responding to the Olmstead v. L.C. Supreme Court decision that required states to provide services to persons with disabilities in community settings rather than institutions, is responsible for coordinating efforts related to the implementation of Project Access with TDHCA and DHS. DHS is responsible for identifying individuals living in nursing facilities that are eligible to participate in Project Access and then referring them to TDHCA. Eligible participants must reside in a nursing facility, be under the age of 62, express the desire to move out of the nursing facility and into the community, and have or will have the necessary services and supports available to him/her in the community. TDHS is also responsible for providing appropriate Community Care Services to eligible individuals. Finally, TDHCA is responsible for ensuring individuals are eligible to receive a housing voucher and then transferring the voucher to the Public Housing Authority of the city or county where the individual wishes to live.

As of December 2, 2002, DHS had referred 36 clients to TDHCA. Thirteen (13) vouchers have been issued and transferred to the cities where the client wishes to live (1 in Orange, 6 in San Antonio, 2 in Austin, 1 in Galveston, and 1 in College Station). Of those 13, two clients will not participate in the program. Three clients have made the transition from the nursing facility into the community (Austin, San Antonio, and College Station). The remaining 8 clients who have been issued a voucher should make the transition by the end of December.

An article detailing the first person issued a voucher and successfully moving out of an institution is available on the Department's web site at www.tdhca.state.tx.us.

Texas Department of Housing & Community Affairs Organizational Chart

(323)



TDHCA FTE Distribution	
Manufactured Housing Division	- 87.5
TDHCA Assigned FTE's	- 225.0
TDHCA Unassigned	- 5.5
TDHCA MDSI Contract Workers	- 5.0
TDHCA Agency FTE Count	323.0

EXECUTIVE SESSION

Michael Jones

Litigation and Anticipated Litigation (Potential or Threatened under Sec. 551.071 and 551.103, Texas Government Code Litigation Exception) – (1) *Century Pacific Equity Corporation v. Texas Department of Housing and Community Affairs et al.* Cause No. GN-202219, in the District Court of Travis County, Texas, 53rd Judicial District;

Consultation with Attorney Pursuant to Sec. 551.071(2), Texas Government Code - (1) 501c(3) Multifamily Housing Mortgage Revenue Bonds (Williams Run Apartments) Series 2000A;

Personnel Matters – Discussion and Possible Approval of Performance Evaluation for the Executive Director Under Sec. 551.074, Texas Government Code

The Board may discuss any item listed on this agenda in Executive Session

Executive Director Meeting/Testimony Log

(Updated as of 12.10.02)

Date	Legislative Member	Location	Issue(s)
03.25.02	Rep. Pete Gallego	Capitol	General
04.08.02	Rep. Elizabeth Ames Jones	Capitol	General
04.09.02	Rep. Manny Najera	Capitol	General
04.09.02	Rep. Bill Callegari	Capitol	General
04.15.02	Rep. Talmadge Heflin	Capitol	CHDO, budgetary issues
04.25.02	Sen. Chris Harris	Capitol	General
04.25.02	Sen. Eddie Lucio – Senior Staff: Arturo Lopez, Laura Garcia	Capitol	General
04.30.02	Rep. Lois Kolkhorst	TDHCA	CHDO set-aside
05.08.02	Sen. Gonzalo Barrientos	Capitol	General
05.22.02	Sen. Eliot Shapleigh	Capitol	General
05.29.02	Sen. Frank Madla	Capitol	General
06.03.02	Sen. Eddie Lucio	Capitol	General
06.04.02	Sen. Rodney Ellis	Capitol	General
06.18.02	Rep. Garnet Coleman	Capitol	General
07.30.02	Sen. Jane Nelson	Capitol	General/Sunset progress
08.21.02	Rep. Al Edwards	Capitol	General
08.22.02	Rep. Warren Chisum	Capitol	Rural tax credits
09.04.02	Rep. Helen Giddings (with senior staff)	Dallas	General/tax credits/housing programs
10.16.02	Rep. Sylvester Turner	Houston	General
10.16.02	Rep. Debbie Riddle	Houston	General/CHDOs
10.29.02	Sen. Steve Ogden	Capitol	General/LIHTC site visits, TDHCA Appropriations Rider
11.25.02	Rep. Steve Wolens	Conference Call	General/System Benefit Fund/Sunset
12.09.02	Sen. Mike Jackson	Pasadena	General/Sunset issues
Date	Legislative Committee	Location	Issue(s)
04.11.02	House Committee on Urban Affairs	Capitol	Agency oversight issues, Sunset
05.08.02	House Committee on Urban Affairs	Capitol	Public Housing Authorities and TDHCA
06.04.02	House Committee on Financial Institutions	Capitol	Sub-prime lending
06.12.02	House Committee on Urban Affairs	Capitol	CHDO certification process
06.18.02	House Committee on Appropriations (Gen. Gov. subcommittee)	Capitol	Agency budget update
Date	Legislative Committee	Location	Issue(s)
06.21.02	Senate Committee on Business and Commerce (Subcommittee on Border Affairs)	Brownsville	General/border issues
09.19.02	House Committee on Land and Resource Management	Capitol	Invited testimony on cooperation between TDHCA and ORCA

Date	Agency	Location	Issue(s)
09.04.02	U.S. Department of Housing and Urban Development (HUD)	Austin	General
09.05.02	Sunset Advisory Commission staff	TDHCA headquarters-Austin	Sunset progress
09.17.02	Legislative Budget Board staff	Capitol	TDHCA hearing on 2004-2005 LAR
09.26.02	HUD	Austin	General
10.03.02	Office of Rural Community Affairs	Big Spring	Joint administration of LIHTC Rural Set-Aside/General Agency Issues
11.01.02	Office of Rural Community Affairs	Austin	Joint administration of LIHTC Rural Set-Aside/General Agency Issues
12.06.02	HUD	Austin	General
Date	Organization	Location	Issue(s)
04.22.02	Texas Chapter-NAHRO (TxNAHRO) Annual Conference	San Antonio	Relationship between TDHCA and PHAs
04.26.02	Association of Rural Communities in Texas	Austin (Lakeway)	General
05.07.02	Texas Association of Community Action Agencies	Austin	Community Affairs issues
07.30.02-07.31.02	Texas Affiliation of Affordable Housing Providers (TAAHP) Annual Conference	Austin	Opening Remarks; TDHCA General
08.07.22	Texas Community Action Agencies Executive Directors Conference	San Antonio	Importance of community affairs programs to Texas
08.23.02	Housing Opportunities of Houston	Houston	Benefits of home ownership
Date	Organization	Location	Issue(s)
08.27.02	Texas Housing Association Annual Conference	Galveston	Relationship between TDHCA and PHAs
09.29.02-10.01.02	National Council of State Housing Agencies (NCSHA) Annual Convention	New Orleans, LA	General
10.23.02	Rural Rental Housing Association of Texas	Corpus Christi	General/TDHCA performance in rural areas
10.30.02-10.31.02	Enterprise Foundation (national conference)	Dallas	Speech (opportunities for funding)
11.16.02	Leadership Texas Seminar		
11.20.02-11.22.02	Housing Colloquium	Santa Fe, NM	General

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

Michael Jones

ADJOURN

Michael Jones
Chair of Board

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Board Room, Fourth Floor, Austin, Texas 78701
December 17, 2002 9:00 a.m.

A G E N D A

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

Michael Jones
Chair of Board

PUBLIC COMMENT

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

The Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

Item 1 Presentation and Discussion on Quarterly Update Report from Disability
 Advisory Committee

Michael Jones

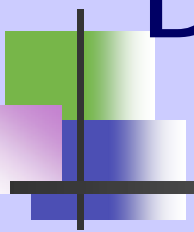
ADJOURN

Michael Jones
Chair of Board

To access this agenda and details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact the Board Secretary, Delores Groneck, TDHCA, 507 Sabine, Austin, Texas 78701, 512-475-3934 and request the information.


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

Addressing the Housing Needs of People with Disabilities:



A partnership with TDHCA Board and the Disability Advisory Committee

Historical Perspective

- People with disabilities largely excluded from traditional housing market, due to poverty, prejudice and stigma
- More people with disabilities are seeking housing of their own in their communities
- Result?  People with disabilities encounter a severe lack of affordable, accessible housing

Current Situation

- States need to comply with Americans with Disabilities Act (ADA) and the Supreme Court ruling in L.C. vs. Olmstead requiring that services and supports to people with disabilities be in the most integrated setting appropriate to the person's needs.
 - *Policy and program coordination is needed between the state's housing agency and agencies that deliver long term support services to people with disabilities.*

Current Situation

- Lack of system to address the needs of people with disabilities. While there is progress re: the Olmstead decision, a system has NOT been created.
- Lack of program and funding support to develop integrated, accessible and affordable housing. While the adoption of the Integration Policy is a good step, more needs to be done in policy and funding to support housing access and development.

Current Situation

- Lack of consumer-directed home modification programs in local communities to meet needs of people with disabilities for individualized solutions to barriers within their homes
 - Consumer-directed = consumer choice, involvement, control

Key Issues

- **POVERTY.** People with disabilities on SSI make \$545/month.
- **LACK OF INCENTIVES FOR THE DEVELOPMENT OF INTEGRATED HOUSING**
- **LACK OF KNOWLEDGE** about the housing needs of people with disabilities, and how to meet them.

Key Issues

- Lack of understanding by service providers of steps necessary to assist people with disabilities determine their housing needs.
- Lack of consumer control over decisions affecting their housing choices.
- Lack of training programs on housing issues facing people with disabilities.

Key Issues

- Lack of contractors experienced with barrier removal – either nonexistent or not identified by local service providers
- Lack of uniform standards, guidelines and procedures for undertaking home modification programs

Interacting with People with Disabilities

- Many professionals have had little experience serving people with disabilities – may be unsure how to communicate or interact
 - May hold 'paternalistic' attitudes
- Treat with dignity and respect
- No two people with the same disability will have the same needs, wants or preferences

REMEMBER: *Individuals with disabilities are **people first***

Myths and Misconceptions

- Myth: People with disabilities are not capable of living in the community, renting or owning and maintaining a home of their own
 - Not everyone (with or without a disability) is meant to be a homeowner but should have choices
 - No prerequisite skill levels or abilities for living in the community
 - Choosing to rent, purchase or modify a home is a decision that should be made by the consumer

Myths and Misconceptions

- People with disabilities expect equal treatment, not special treatment: want to live in homes they choose, with people they choose
- Choice, Control, Integration, Inclusion
- Home modifications continue to be viewed as an exception to the rule – must find their way into general consumer media and marketplace

What is a Disability?

- It may be physical or cognitive
- It may be readily observable or hidden
- It may result from a variety of causes

How Many People Have Disabilities?

- About 49 million Americans – 1 out of every 5 – have a disability
- Over 2.9 million Texans have a disability (about 24% of state's population)
- Over 1.5 million Texans have a severe disability (about 12% of state's population)
- Rates of disability for Texas are higher than rates of disability for U.S. as a whole (24% vs. 21% in U.S. and 12% vs. 10% in U.S.)

Housing: Philosophy

- People with disabilities should have the same opportunities as unlabeled citizens to choose, get and keep regular, integrated housing.
- People with disabilities should have the same opportunities as unlabeled citizens to accept or refuse any or all supports and services.

- The housing problems of people with disabilities are primarily problems of POVERTY rather than disability.
- Supports and services that may be chosen by people with disabilities must be readily accessible and tailored to meet the individual's needs.

- “People with special needs DON’T need to live in special places!”
- Integration is the key to full community inclusion for people with disabilities. Integrated housing is ESSENTIAL to full community inclusion.

Effects of Advocacy in Texas

- State and Local 'Visitability' laws
- Section 504 design standards in Low Income Housing Tax Credit properties



Senate Bill 623

Basic Access Welcomes Everyone

SB 623 (effective September 1, 1999) addresses the basic access needs of people with disabilities by incorporating four universal design features into new construction of single family homes funded through TDHCA:

- *At least (1) no-step entrance with at least a standard 36” door
- *Doorways throughout the home at least a standard 32” door; hallways at least 36” wide
- *Reinforced walls near the toilet and bathtub so that grab bars may be added, if needed at a later date
- *Light switches & electrical controls no higher than 48” and electrical plugs at least 15” above the floor; each breaker box is located inside

State Legislation 2001

- 504 design standards in LIHTC developments – is incorporated in TDHCA sunset legislation – SB322



Disability Advisory Committee Recommendations

- Integration Definition
- Review of agency planning documents by the Disability Advisory Group needs to occur prior to the public comment period.
- Compliance with Section 504, ADA and FHA must be evident in every program. This includes implementation of a mandatory Self Assessment as part of the application process.

Disability Advisory Committee Recommendations

- Capacity Building money needs to target organizations that need to build capacity (not organizations that already have capacity).
- The agency needs to seek and commit resources to conduct an in-depth study of the housing needs and preferences of people with disabilities (using the TDOA activity as a model). Funding must be appropriated to support the effort.