BOARD MEETING OF SEPTEMBER 9, 2004

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

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

Patrick R. Gordon, Member
Vidal Gonzalez, Member
Shadrick Bogany, Member
Norberto Salinas, Member

MISSION

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD MEETING

SEPTEMBER 9, 2004

ROLL CALL

	Present	Absent
Anderson, Beth, Chair	___________	___________
Conine, C. Kent, Vice-Chair	___________	___________
Bogany, Shadrick, Member	___________	___________
Gonzalez, Vidal, Member	___________	___________
Gordon, Patrick, Member	___________	___________
Salinas, Norberto, Member	___________	___________

Number Present ___________

Number Absent ___________

______________________, Presiding Officer

BOARD MEETING
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
507 Sabine, Room 437, Austin, Texas 78701
Thursday, September 9, 2004 9:00 am

A G E N D A

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

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

The Board of the Texas Department of Housing and Community Affairs will meet to consider and possibly act on the following:

ACTION ITEMS
Item 1 Presentation, Discussion and Possible Approval of Minutes of Board Meeting of July 28, 2004 — Elizabeth Anderson

Item 2 Presentation, Discussion and Possible Approval of Rules to be Published in *Texas Register* for Public Comment: — Elizabeth Anderson

a) Housing Tax Credit Program Rules: Proposed Repeal of Title 10, Part 1, Chapter 49, Tex. Admin. Code – 2003 Low Income Housing Tax Credit Program Qualified Allocation Plan and Rules; and Proposed New Title 10, Part 1, Chapter 49. Tex. Admin. Code – 2005 Housing Tax Credit Program Qualified Allocation Plan and Rules

b) Home Investment Partnerships Program (HOME) Rules: Proposed Amendment to Title 10, Part 1, Chapter 53, Tex. Admin. Code – Home Investment Partnerships Program

c) Housing Trust Fund Rules: Proposed Amendment to Title 10, Part 1 Chapter 51, Tex. Admin. Code – Housing Trust Fund Rules

d) Real Estate Analysis Rules: Proposed Amendment to Title 10, Part 1 Chapter 1, Subchapter B, Tex. Admin. Code - Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, and Property Condition Assessment Rules and Guidelines and Proposed New § 1.37 Reserve for Replacement Rules and Guidelines

e) Compliance Monitoring and Asset Management Rules: Proposed Repeal of Title 10, Part 1, Chapter 60, Subchapter A, Tex. Admin. Code – Compliance Monitoring and Asset Management, Section 60.1 Compliance Monitoring Policies and Procedures and Proposed New Title 10, Part 1, Chapter 60, Subchapter A, Tex. Admin. Code, Compliance Monitoring, Section 60.1 Compliance Monitoring Policies And Procedures

Item 3 Presentation, Discussion and Possible Approval of Legislative Appropriations Request for FY 2006 - 2007 — Elizabeth Anderson

Item 4 Presentation, Discussion and Possible Approval for Public Comment: Elizabeth Anderson

a) Affordable Housing Needs Score

b) Regional Allocation Formula

c) 2005 State of Texas Low Income Housing Plan and Annual Report

d) 2005 Consolidated Plan – One Year Action Plan

Item 5 Presentation, Discussion and Possible Approval of: Vidal Gonzalez

a) Bond Trustees for Multi-Family Transactions

b) Bond Underwriters for Multi-Family Transactions

Item 6 Presentation, Discussion and Possible Approval of Financial Items: Vidal Gonzalez

a) Interest Rate Swap Policy

b) Final Approval of Single Family Mortgage Revenue Bonds, 2004 Series C, 2004 Series D (Variable Rate), 2004 Series E and 2004 Series F (Collateralized Obligation Bonds) for Program 62

c) Revision of Terms for Downpayment Assistance for Single Family Mortgage Revenue Bonds, 2004 Series A, 2004 Series B (Variable Rate), and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A for Program 61

c) Resolution Authorizing the Extension of the Certificate Purchase Period For Single Family Mortgage Revenue Bonds, 2002 Series A, 2020 Series B, and 2002 Series C, (Program 57A)

e) Resolution Authorizing the Extension of the Certificate Purchase Period for Residential Mortgage Revenue Bonds, Series 2003A (Program 59A)

f) Sale of Mortgage Certificates from Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Bond Program), Series 1994A, Series 1994B, and Series 1994C

Item 7 Presentation, Discussion and Possible Approval of Programmatic Items: C. Kent Conine

a) HOME Awards to the City of Bartlett in the amount of $156,000 ($150,000 project funds and $6,000 administrative fees) for Homebuyer Assistance and the City of Cotulla in the amount of $520,000 ($500,000 in project funds and $20,000 administrative fees) for Special Needs/Owner Occupied

b) TDHCA Section 8 Housing Assistance Program:
Transfer of Section 8 Vouchers to Brazoria County

Item 8 Presentation, Discussion and Possible Approval of Housing Tax Credit Items: Elizabeth Anderson

a) Approval of Withdrawal of 2004 Emergency Housing Tax Credit Qualified Allocation Plan and Rules Amendment (29 Tex. Reg. 7821, (2004)) and Concurrent Final Adoption of 2004 Housing Tax Credit Qualified Allocation Plan and Rules Amendment (29 Tex. Reg. 7025 (2004)), to be Codified at Title 10, Part 1, Chapter 50, Tex. Admin. Code

b) Issuance of Commitment Notices for 2004 Housing Tax Credits to 2004 Housing Tax Credit Applicants:

   1) Return of Credits on 04098, Copperwood Apartments, The Woodlands, ($1,057,335) and Reissuance of Credits to 04108, Tamarac Pines, The Woodlands ($911,804)

   2) 04292, West Side Place, West Columbia, Region 6, (USDA)

   3) 04074, Las Palmas Gardens, San Antonio, Region 9, (At Risk)

   4) 04118, Churchill at Commerce, Commerce, Region 3, (Rural)

   5) 04008, Friendship Place, Fredericksburg, Region 9 (Rural)

c) Issuance of Determination Notices on Tax Exempt Bond Transactions with Other Issuers:

   04436 Sagewood Apartments, San Antonio, Texas
   Bexar County Housing Finance Corporation is the Issuer
   (Requested Amount of $596,168 and Recommended Amount of $589,624)

   04447 Rosemont at Acme, San Antonio, Texas
   Bexar County Housing Finance Corporation is the Issuer
   (Requested Amount of $844,329 and Recommended Amount of $844,329)

   04448 Artisan at Willow Springs, San Antonio, Texas
   San Antonio Housing Finance Corporation is the Issuer
   (Requested Amount of $882,718 and Recommended Amount of $880,736)

   04437 Holiday Place, Houston, Texas
   Harris County Housing Finance Corporation is the Issuer
   (Requested Amount of $569,030 and Recommended Amount of $0)

d) Extension Request for:
   03212 Village of Kaufman Apartments, Kaufman, Texas
   03213 Fox Run Apartments, Orange, Texas
   03220 Desert Breeze, Horizon City, Texas

e) Housing Tax Credit Amendments

   1) 03001, Heritage Pointe

   2) 03081, Wright Senior Apartments

f) Discussion of Ownership Changes

EXECUTIVE SESSION Elizabeth Anderson

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

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning an Investigation by the Brazoria County Criminal District Attorney on Forged Letters Concerning Tranquility Bay Apartments

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning Pending or Contemplated Litigation

OPEN SESSION Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

Executive Directors Report

1. National Award for Excellence in Community Action for Community Action Council of South Texas
2. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for July and August , 2004
3. Special Recognition Award from Community Affairs Division
4. Legislative Budget Board and Governor's Budget Office Hearing on Legislative Appropriations Request on September 23rd
5. Senate Intergovernmental Relations Committee on Charge 2 (Relating to Urban / Ex Urban) Meeting with Staff on September 14th

ADJOURN Elizabeth Anderson

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

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

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

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

EXECUTIVE OFFICE

BOARD ACTION REQUEST
SEPTEMBER 9, 2004

Action Item

Board Minutes of July 28, 2004.

Required Action

Review of the minutes of the Board Meeting and make any necessary corrections.

Background

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

Recommendation

Approve the minutes with any requested corrections.

BOARD MEETING
TEXAS DEPAREMENT OF HOUSING AND COMMUNITY AFFAIRS
1100 Congress Avenue, State Capitol Extension Auditorium, Austin, Texas 78701
Wednesday, July 28, 2004 8:00 am

Summary of Minutes

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

The Board Meeting of the Texas Department of Housing and Community Affairs of July 28, 2004 was called to order by the Chair of the Board Elizabeth Anderson at 8:20 am. It was held at the State Capitol Extension Auditorium, 1100 Congress, Austin, Texas 78701. Roll call certified a quorum was present.

Members present:
Elizabeth Anderson – Chair
C. Kent Conine – Vice Chair
Shadrick Bogany – Member
Vidal Gonzalez – Member (joined the meeting in progress)
Patrick Gordon – Member
Norberto Salinas – Member

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

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.

Ms. Anderson called for public comment and the following either gave comments at this time or preferred to wait until the agenda item was presented.

The Honorable David Farabee, State Representative, Wichita Falls, Texas
Representative Farabee read a letter into the record on the Gardens of Burkburnett, No. 04-173 which stated:

"Dear Board Members, Thank you for the opportunity to express my very strong support for the Gardens of Burkburnett's tax credit application. I understand this application was recently taken off the recommended list by a retroactive scoring change. It has also been brought to my attention that this is the second time this particular application has been removed from the list through no fault of the Gardens of Burkburnett. "This much-needed development for our area there in north Texas has the whole-hearted support of our local and state leaders, as well as the community at large. Much work has already been done locally toward this development, which is currently in a position to move forward with a committed list of residents. Under these circumstances I believe further consideration is needed since this application was previously recommended twice.

"The community of Burkburnett is overwhelmingly in favor of this project, which fills a vital need for the citizens of this wonderful city. I respectfully request approval for this application or a forward commitment of next year's allocation to go forward with this very worthy project for north Texas. The Gardens of Burkburnett has my full support, and I stand ready to assist in any way to make this project a reality for our district. Your favorable consideration for this application will certainly be appreciated. Please let me know if I may offer any additional information or assistance. Thank you."

Chris Hosek, Legislative Director, The Honorable Elizabeth Ames Jones Office, State Representative, Austin, Texas
Mr. Hosek read a letter into the record from Rep. Elizabeth Ames Jones which stated:

“"Dear Board Members, I would like to register my support as the State Representative from San Antonio District 121 for Seton Home Center for Teen Moms, TDHCA number 04149. Seton Home Center for Teen Moms is a transitional housing project that will accommodate 24 homeless pregnant or parenting teenage mothers ages 12 to 19 and their babies. These teens have suffered physical, sexual, and emotional abuse, neglect, and abandonment. The average age is just under 16. Intervention is essential in order to break the cycle of abuse and neglect and give these teenagers a chance to preserve their families and become productive citizens. The project will be operating in conjunction with an existing 24-unit facility in San Antonio that draws teens from all over the State of Texas. Seton Home's mission is to help these young women complete their high school equivalency or high school education and provide vocational training and essential life and parenting skills.

The proposed project is sorely needed in Bexar County. The birth rate for young mothers under the age of 15 is twice the national average. And in some pockets of San Antonio, it's four times the national average. The current facility must regularly turn away teens and their children due to lack of capacity. The project is a nonprofit application that formerly stood as a high-scoring application in the state with 163 points under the original QAP scoring criteria. When the Attorney General's opinion required that the QAP scoring criteria be restructured, Seton Home Center for Teen Moms was one of the hardest-hit project, losing 15 points of the 22 points previously awarded for 100 percent transitional housing. Although it's a high-scoring application, I'm aware there are limited tax credit allocations available for Region 9 urban and exurban projects. I want to recommend the Seton Home Health Center for Teen Moms to the board as a particularly deserving project. I request your approval of the tax credit application for Seton Homes for Teen Moms. This benefits the one-time allocation will be multiplied many times over for 24 teenagers and their children. Sincerely, Representative Elizabeth Ames Jones."

<u>Sally Gaskin, Applicant Sponsor for Mesa Seniors, Houston, Texas</u>
Ms. Gaskin asked that the conditions that have to be satisfied should be done by the construction loan closing, not carryover and this would help those on the waiting list. She asked that the flood zone be recertified for all applications in Harris County. Due to tropical storm Allison the county is being completely remapped and the maps have started coming out. The new maps were not released until after the application due date. She asked that Mesa Seniors be placed on the waiting list.

<u>Brad Forslund, Churchill Residential, Irving, Texas</u>
Mr. Forslund asked to reconsider fully funding Region 3 and funding this Churchill at Commerce. He stated only 6½% of the entire allocation was allocated to the rural region and thus limiting the number of applications in a very large region. As it is now, there will be no new construction in any rural markets in Region 3. Their application is the highest scoring application in the rural region and has very strong political support.

<u>Tamea Dula, Dallas, Texas</u>
Ms. Dula gave her time to Mr. Sisk.

<u>Tony Sisk, Dallas, Texas</u>
Mr. Sisk stated he was speaking on Tyler Senior Community LP No. 04-121. This application was on the recommended list but was removed last week in order to fund a smaller transaction in the region, leaving this region $40,000 under funded. He asked that his project be funded. They had strong support letters from local and state officials along with a city counsel resolution. They have a Federal Home Loan Bank loan in the amount of $200,000 for this project.

<u>Barry Palmer, Attorney, Houston, Texas</u>
Mr. Palmer asked the Board to consider that Regions 3 and 4 are both under funded. As a result of this under funding in Region 4, the highest scoring project, Tyler Senior Apartments is not being recommended. He asked the Board to fully fund these two regions and treat the ones in the other regions that are over funded as forward commitments. This would allow Regions 3 and 4 to get the money allocated for their regions.

Tina Brooks, Granville, Ohio
Ms. Brooks stated she represented Converse Village Apartments and they did file a timely appeal. The community support letter from the Converse Lions Club was denied points due to insufficient documentation. She felt they did submit information that reflected that they are a neighborhood organization within the meaning of the requirement. This organization is on record with the state and county and they work for the welfare of the neighborhood.

Sam Hughes, City Manager, Converse, Texas
Mr. Hughes stated the Converse Lions Club has been second only to the Converse municipal government in sponsoring and promoting development of the community. They have purchased and donated land for the city park; have financed the construction of the pavilion and facilities in the park and donated funds to start the public library and a childrens playground. They were incorporated in 1961 and they are a backbone organization for promoting community facilities in Converse.

Carlos Morrell, San Antonio, Texas
Mr. Morrell gave his time to Mr. Marquez.

Juanita Ramos, San Antonio, Texas
Ms. Ramos gave her time to Mr. Marquez.

David Marquez, San Antonio, Texas
Mr. Marquez was speaking on behalf of Urban Progress Corporation, a nonprofit that has owned Las Palmas Garden Apartments for 40 years. This is an at-risk project in a region that was under funded. There have been support letters from residents who have lived there for over 20 years. They need air conditioning, heating, and an updating of the apartments.

Diana McIver, Developer, Austin, Texas
Ms. McIver spoke on behalf of 04-216, Thomas Ninke Senior Village that scored 154 points. It is the highest scoring application in the region and is the highest scoring application in the state that did not receive al allocation of funds that did not have problems. This project has had tremendous local support and she asked for consideration of funding this project.

Michael Esparza, Mayor Pro Tem, City of Alice, Texas
Mr. Esparza stated 04-050, San Diego Creek Apartments, was on the recommended list but were removed and he was asking what changed from one day to another.

Dorella Elizondo, City Council Member, City of Alice, Texas
Ms. Elizondo stated she was speaking on 04-050, San Diego Creek Apartments, and she was at this meeting to thank the Board members for their recommendation but discovered that they are not being recommended. They have support from local and state officials, organizations and residents. They need affordable housing and asked the Board to consider their request.

Yolanda Sosa Moran, Alice, Texas
Ms. Moran stated she came a long way to Austin thinking they were on the recommended list only to find out they had been removed. She gave her remaining time to Mr. Brown.

David A. Vela, Asst. City Manager, City of Alice, Texas
Mr. Vela spoke on the San Diego Creek Apartments and stated their city does need affordable housing and this area that the project is being considered for is an economical disadvantaged area which would have greatly benefited from this type of development. He asked for funding for this project and if there are no funds available this year, to have a forward commitment.

William Brown, Alice, Texas
Mr. Brown stated he has been working with the City of Alice for months and they have submitted multiple letters of support from the community for the San Diego Creek Apartments. The city has spent timeless hours working to support this project as they are in dire need of housing.

Doak Brown, Houston, Texas
Mr. Brown did not give any comments.

Rodric Fitzgerald, American Opportunity for Housing, San Antonio, Texas
Mr. Fitzgerald spoke on Vista Del Sol, Rudy C. Perez Senior Apartments, 04-258. He stated the original list of the nonprofit set-aside did recommend Vista Del Sol for funding but under the second and third lists of recommendations, they did not receive funding due to the exhaustion of credits. The shortfall in 2004 credits is due in part to a 2003 forward commitment in the amount of over $1,000,000. He asked for a forward commitment of Vista Del for $745,000 in credits. They received unanimous support letters from area community organizations, neighborhood organizations, local and state officials, city council, along with the Archbishop of the Archdiocese of San Antonio.

Manual Garza, San Antonio, Texas
Mr. Garza gave his time to Mr. Barrera.

Enrique Barrera, City Councilman, San Antonio, Texas
Mr. Barrera stated he was in support of the Vista Del Sol project as it is a worthy project that addresses the affordable housing needs of many families in San Antonio. They have tremendous support from elected officials, community leaders, churches and residents. He asked for a forward commitment for this project.

Alan Burrows, the Honorable Arlene Wohlgemuth's Office, State Representative, Austin, Texas
Mr. Burrows read a letter statement into the record from the Representative which stated:

"Mr. Ken Mitchell, the developer, has a similar project located in my district, Buena Vista Seniors. This 230-unit development has been very successful, increasing the number of affordable housing options for our seniors, and becoming a valued part of the community. I have no doubt Mr. Mitchell's proposed project, Country Lane Seniors Temple Community, will have the same positive impact in Temple that Buena Vista Seniors has had in my area. I would also like to note the extensive support Country Lane Seniors has received in the community. City, state, and county-elected officials, the Chamber of Commerce, Temple ISD, and the local Area Agency on Aging, as well as neighborhood organizations have all written letters of support. In making a decision I strongly urge you to consider the factors that are most important to a project's success, the past performance and success of the developer and strong community support for the project. Thank you.

The Honorable Bob Hunter, State Representative, Austin, Texas
Representative Hunter stated he serves on the Urban Affairs Committee and he was interested in hearing all the comments from people across the state as how valuable these projects are and how needed they are. He spoke in favor of the Gardens of Tye, Abilene, Texas. They thought they were to get tax credits only to find out they had been removed from the list. He asked for a forward commitment for this project and others who were removed from the earlier list.

Cindy Marquez, San Antonio, Texas
Ms. Marquez spoke on behalf of 04-074, Las Palmas Garden Apartments. She stated it shows on the list that they are in a one-mile conflict and this application has not been on that list for several months and she wanted to clear this for the record.

> Ms. Brooke Boston, Director of Multifamily Finance Production, stated there were scoring changes since the board book was mailed and one of the circumstances was in Region 10 rural that Sierra Royale, 04-302, score went up substantially and they had the highest score so they were placed in the award category and this bumped down San Diego Creek.

Bonita Williams, Nacogdoches, Texas
Ms. Williams stated she was seeking an allocation for housing tax credits for Nacogdoches Senior Village, 04-072. Her application has been evaluated and scored by the Department. Her concern was the

manner in which another application in the same region was handled by the Department. This project is Pineywoods Community Development, 04-066. They failed to satisfy pre-application and application threshold criteria yet continued on through the process and was scored and ranked. Allowing one application to do this is disheartening to applicants who strictly adhere to the rules. She asked the board to treat all applicants fairly and with strictest adherence to legislation and the QAP rules and guidelines.

Susan Moore, City Council Member, Goliad, Texas
Ms. Moore spoke in reference to 04-082, Fenner Square project. She stated the majority of people in Goliad are in opposition to this project and in April of 2004, the city council voted in opposition to the project. She asked the Board to take this opposition seriously.

Ella Dee Bess, Goliad, Texas
Ms. Bess stated she was in attendance to represent the city and the people of Goliad. She is against this housing project and she was discriminated by the developer in many ways. She was threatened by the developed and threatened by taxes and by a letter written with obscenities that was faxed to her.

Leslie Holleman, Brownwood, Texas
Ms. Holleman stated she is the developer and sponsor of Chisholm Trail Senior Village in Belton, Region 8. When the tax credit process began they were on the recommended list but have several times traded positions with another project – on and then off again the list. They are now on the recommended list but due to the process she urged the board to consider the other project in their area, Country Lane Seniors in Temple, for a forward commitment.

Jeff Spicer, Dallas, Texas
Mr. Spicer did not give any comments.

Ken Thomas, Mayor, Early, Texas
Mr. Thomas did not give any comments.

Mahesh Aiyer, Houston, Texas
Mr. Aiyer did not give any comments.

Barry Kahn, Developer, Houston, Texas
Mr. Kahn did not give any comments.

Janet Thomas, Dallas, Texas
Ms. Thomas did not give any comments.

Richard Cruz, San Marcos, Texas
Mr. Cruz did not give any comments.

Margaret Starkey, San Antonio, Texas
Ms. Starkey did not give any comments.

Maggie Bess, Houston, Texas
Ms. Bess did not give any comments./

Horace Allison, Houston, Texas
Mr. Allison did not give any comments.

Neal Rackleff, Houston, Texas
Mr. Rackleff did not give any comments.

James Hunley, Granville, Ohio
Mr. Hunley did not give any comments.

ACTION ITEMS

1) Presentation, Discussion and Possible Approval of Minutes of Board Meeting of June 28, 2004

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the Minutes of the Board Meeting of June 28, 2004.
Passed Unanimously

Presentation, Discussion and Possible Approval of Adoption of Emergency Amendment to the 2004 Housing Tax Credit Allocation Plan and Rules, Title 10, Part 1, Chapter 50, Emergency 2004 Qualified Allocation Plan and Rules, With Revised Preamble, and Withdrawal of the Current Emergency Amendment

Ms. Carrington stated this emergency item was posted to the agenda on July 27, 2004. It is an adoption of the emergency amendment to the 2004 Housing Tax Credit Allocation Plan and Rules, Title 10, Part 1, Chapter 50, Emergency 2004 Qualified Allocation Plan and Rules, with revised preamble, and the withdrawal of the current emergency amendment.

<u>Barbara Deane, Office of the Attorney General, Austin, Texas</u>
Ms. Deane stated there will be changes to the text of the rule. The Attorney Generals ruling was published on June 23 of this year and this affected some of the priority ranking of the QAP. The board acted quickly in response to this opinion and adopted an emergency rule at the July 8th board meeting and filed this emergency rule with the *Texas Register*. Due to the delay in publication at the *Texas Register* it cane out on Friday, June 23rd. The rule was effective on filing with the Texas *Register.* Recently there have been meetings with staff and the Governors Office. The QAP was approved by the Governor. The Governors Office has had some questions on the preamble and they would like to see the language expanded to clarify the nature of the emergency and what brought about the rule. The best way to do this is to file a withdrawal or termination of the existing emergency rule and then file another one with the new expanded preamble. The request today is to file this expanded with no change in the text and the revised preamble will read as:

"The Texas Department of Housing and Community Affairs (the Department) adopts on an emergency basis the amendment of Section 50.9 relating to application submission, adherence to obligations, evaluation process, the required pre-certification and acknowledgment, threshold criteria, selection criteria, evaluation factors, staff recommendations. The text of the amendment is unchanged from the text of the emergency rule amendment as published in the July 23, 2004, edition of the *Texas Register*, which is being withdrawn in a separate simultaneously with the filing -- simultaneous with the filing of this emergency rule amendment. While the text of the rule amendment is unchanged, the emergency amendment is readopted in order to provide an expanded preamble. The Department adopts the amendment on an emergency basis pursuant to Texas Government Code, Section 2001.034.

The Department finds that the amendment is required by state law in order to conform to Attorney General Opinion GA0208 published on June 23, 2004, and to comply with Section 2306.6724(f), Texas Government Code, requiring the Department's board to issue final commitments for allocations of housing tax credits each year in accordance with the Qualified Allocation Plan no later than July 31. In addition, Texas Government Code, Section 2306.6724(b), requires that the Governor approve, reject, or modify and approve the Qualified Allocation Plan. The Office of the Governor has requested this additional action, which, coupled with the July 31 deadline, is another factor that necessitates this emergency rule making. In addition, the Department also finds an imminent threat to the public welfare requires adoption of this amendment on fewer than 30 days' notice, in that the public welfare will be harmed by the delay or failure of development of additional low income housing that would be authorized by the amended QAP. This amended section is also adopted on an emergency basis pursuant to Chapter 2306, Texas Government Code, which provides the governing board of the Department with the authority to adopt rules necessary for the efficient administration of the Department's housing tax credit program.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the adoption of Emergency Amendment to the 2004 Housing Tax Credit Allocation Plan and Rules, Title 10, Part

1, Chapter 50, Emergency 2004 Qualified Allocation Plan and Rules, with revised Preamble, and withdrawal of the current emergency amendment.
Passed Unanimously

Don Youngs, Continental Realty, Kemp, Texas
Mr. Young spoke on the Gardens of Texas and stated they were not advised until this meeting began that their appeals had been denied. The reason that they did not qualify for an appeal was because they did not say it was an issue of the Attorney General's opinion, which turned many scores upside down. This project has been on top of the scores since the pre-app began and had about 14 points over the competition. After the Attorney General's opinion, they lost 16 points and are not being recommended.

George Hopper, Continental Realty, Topeka, Kansas
Mr. Hopper gave his time to Mr. Young.

David Justice, Consultant, Tyler, Texas
Mr. Justice gave his time to Mr. Young.

Don Youngs, Continental Realty, Kemp, Texas
Mr. Young also spoke on the Gardens of Early, 04-174 and stated the local and state officials endorsed this project and it was in a tie until it was removed from the list due to the Attorney General's opinion. They only received notification that the formal appeal could not be heard as TDHCA was unable to get the fax to them on time.

Mr. Young also spoke on the Gardens of Gladewater 04-176 as they lost their funding also due to the Attorney General's opinion. They were the highest scoring development not to be included in a recommendation.

Ms. Beth Anderson read three letters from members of the Legislature into the record at the members' request.

The first letter was from State Representative Terri Hodge which stated:

"Dear Ms. Boston, I'm writing to express my full support of the proposed plans to revitalize the Frazier Court Housing Complex in southeast Dallas. As an advocate for affordable housing for senior citizens and low-income families, I have first knowledge of the need for a project of this magnitude for this community. The completion of the Frazier Fellowship Townhouses will reflect the pride and satisfaction of the residents of the south Dallas community. Experience has shown that preserving communities stimulates revitalization of the area and enhances economic growth.

The Master Plan that was developed by the Dallas Housing Authority will replace the outdated and substandard Frazier Courts Public Housing project. I applaud Dallas Housing Authority for their commitment to providing public housing residents with well-designed homes that create a wholesome environment and safe living environment. I urge the state to support the request for approval of the low-income housing tax credit application. Thank you for your consideration."

The second letter was from State Senator Kevin Eltife which stated:

"Dear Ms. Carrington, I'm writing to once again voice my support for the Gardens of Gladewater project, project 04176. This development was initially recommended for approval by your staff and now has fallen out of contention due to a change in scoring methodology resulting from an Attorney General's opinion. If it's not possible to approve this development for funding this year, I would ask that the board grant a forward commitment from next year's funds.

"As you know, rural Texas tax credits were oversubscribed this year, and such projects are sorely needed. The Gardens of Gladewater will provide senior housing and is supported by the local community. "Thanks to you and the TDHCA board for your consideration and for your dedication to improving the lives of Texans through affordable housing initiatives."

The third letter was from Representative Chente Quintanilla which stated:

“Dear Chairman Anderson, on behalf of the constituents in District 75, and, specifically, for those families that live in east El Paso, I voice my strong opposition to the Cedar Oak Townhome Limited Apartment application submitted to TDHCA. I commend TDHCA for not recommending the project on July 13, 2004. According to our research in TDHCA's notice posted on your web site regarding the real estate analysis underwriting report for the 2004 tax credit round, Cedar Oak Townhouse was not recommended to the following. The market study was not self-contained, did not include a summary form or rent comparison matrix, did not calculate an accurate demand, and did not calculate unstabilized supply. The underwriter calculated an inclusive capture rate of over 25 percent. The anticipated developer fee cannot be repaid within 15 years. According to state records there are currently 338 units of low-income housing tax credit in zip code 79936. And within one linear mile of the proposed development there is in existence 111 low-income housing tax credit units plus 236 units to Section 8 subsidized housing.

"This clearly demonstrates an overabundance of low-income housing and public housing in the immediate area of the proposed development. Therefore, I humbly request that if the investor submits the appeal concerning the above recommendation that you and the board deny to grant approval of an award for this development. In addition, I believe the board must consider not waiving the rules, as it will not be fair to the residents in that community and other investors. Any waiving of the rules may result in a liability to the state and enhanced preference practices. What is the purpose of establishing rules if they are meant to be broken? If TDHCA grants this appeal on Cedar Oak Townhomes, you're saying your own rules do not matter and that you can waive those rules whenever one feels like it for whatever reason.

"This type of subjectivity was a huge problem for TDHCA about three or four years and led to an intense sunset review process that almost caused the abolishment of TDHCA. The state sets forth rules, and applicants must be forced to follow them. Once again, I thank you for not recommending the above project and trust that you will deny the appeal at your next board meeting scheduled on July 28. Should you have any questions, please do not hesitate to contact me."

2) Presentation, Discussion and Possible Approval of Housing Tax Credit Items:

a) Appeals to Board from Housing Tax Credit Applicants on Application Matters:

Project #	**Project Name**
04-024	**South Union Place, Houston, Reg. 6**
04-032	**Los Milagros, Weslaco, Reg. 11**
04-052	**Chisholm Trail Senior Village, Belton, Reg. 8**
04-057	**Stone Hollow Village, Lubbock, Reg. 1**
04-079	**Baybrook Park Retirement, Webster, Reg. 6**
04-085	**Redwood Heights, Houston, Reg. 6**
04-121	**Sedona Springs Village. Odessa, Reg. 12**
04-158	**Windrock Apartments, Midland, Reg. 12**
04-162	**Travis Place Apartments, Lubbock, Reg. 1**
04-163	**Riverview Apartments, San Angelo, Reg. 12**
04-191	**Providence at Boca Chica, Brownsville, Reg. 11**
04-192	**Providence at UT Southwestern, Dallas, Reg. 3**
04-193	**Providence at Edinburgh, Edinburgh, Reg. 11**
04-255	**Freeport Oaks, Freeport, Reg. 6**
04-261	**Gruene Oaks, New Braunfels, Reg. 9**
04-299	**The Harvest Apartments, Mercedes, Reg. 11**

Any Other Appeals Timely Filed

Ms. Carrington stated three appeals were filed in the timeframe required in the Qualified Allocation Plan and are being presented to the Board under the Timely Filed Appeals along with the other appeals listed. These appeals were posted to the TDHCA website. She also stated that Jennifer Joyce, Program Analyst with the Housing Tax Credit Division, has worked with the applications during the application cycle and was the staff contact person for the applicants.

04-024 South Union Place, Houston, Reg. 6
Ms. Joyce stated the applicant submitted an appeal to the Executive Director on June 14th, disputing the denial of the QCP points. They requested these points for both the South Union Civic Club and the Old Spanish Trail Community Partnership. Ms. Carrington denied the appeal so they are appealing to the Board. The South Union Civic Club did not provide documentation to prove that the organization's boundaries included the development site. They did give a brief description of the process used to determine the members' position of support. The letter from the Old Spanish Trail Community Partnership was not eligible as the department did not consider it a neighborhood organization and the application did not request pre-app points.

Julie Jackson, Houston, Texas
Ms. Jackson gave her time to Mr. Barineau.

John Barineau, Developer, Houston, Texas
Mr. Barineau stated that they were on the approved list and it is their desire to remain on this list. There has been much movement and with many other appeals they could not take a chance but to appeal these points. He stated the evaluation by staff of the 2 letters in question was wrong and that the boundaries of the organizations were in the letters.

Motion made by Shad Bogany to approve the appeal based on the boundaries submitted and to accept the neighborhood areas.

Chris Wittmayer stated all applications have to satisfy each condition separately and if one condition or element is not satisfied in the QCP then they do not receive any points in this category.

Mr. Bogany withdrew his motion.

Motion made by C. Kent Conine and seconded by Patrick Gordon to deny the appeal.
Passed Unanimously

04-032 Los Milagros, Weslaco, Reg. 11
Ms. Joyce stated the Executive Director received the appeal and denied it and the developer is appealing to the Board. The applicants two letters were received for the QCP so the certification submitted that the applicant knew of no neighborhood organizations caused them to loose points. The application also appealed the 8 points reduction of low income targeting. The appeal asserts that the applicant is not on the Board of Barza International. The department determined that the developer is related to the non-profit subsidy provider and the points were not awarded.

Rowan Smith, Developer, Houston, Texas
Mr. Smith gave his time to John Pitts.

John Pitts, Attorney, Houston, Texas
Mr. Pitts stated he was president of Bazra International Ministries. He stated that one support letter was submitted from a neighborhood organization which is a low income housing project located adjacent to the tract of land for Los Milagros. The boundaries of the non profit included the entire county of Hidalgo County. Another neighborhood organization issued a support letter. He further stated there was no relationship between the nonprofit and the developer as the developer resigned from the Bazra International Ministries.

He read a letter into the record from Senator Lucio which stated: ""Dear Ms. Anderson, I am writing you again regarding Los Milagros Apartments, which is being proposed for construction in my district. As I mentioned to you before and reiterate in this letter, it is important to me that this project is constructed. I understand that the project is under review. I ask that you please consider awarding the developer low income tax credits for 2004 or that you consider awarding a forward commitment for 2005 so that the developer may begin construction.

Based on the information I had received from Novagradic and Company, it appears that Region 11 has been shorted in the past several years. A forward commitment would assist greatly in correcting this situation. Signed, Eddie Lucio, State Senator."

Motion made by C. Kent Conine and seconded by Shad Bogany to deny the appeals.

Amended motion made by C. Kent Conine and seconded by Shad Bogany to deny the appeal letters on the QCP points.
Passed Unanimously

Motion made by C. Kent Conine and seconded by Shad Bogany to deny the appeal on the related party transaction.
3 ayes (Mr. Conine, Mr. Bogany Mr. Gonzalez) and 3 against (Mr. Salinas, Ms. Anderson, Mr. Gordon)
Motion failed and the staff determination stood.

John Pitts, Attorney, Houston, Texas
Mr. Pitts gave his time to Mr. Rowan Smith.

Rowan Smith, Developer, Houston, Texas
Mr. Smith thanked the Board for all their work in these confusing circumstances.

04-052 Chisholm Trail Senior Village, Belton, Reg. 8
This appeal was withdrawn.

04-057 Stone Hollow Village, Lubbock, Reg. 1
This appeal was withdrawn.

Rick Deyoe, Real Estate Developer, Austin, Texas
Mr. Deyoe did not give any comments on Redwood Heights.

Cynthia Bast, Attorney, Locke Liddell & Sapp, Austin, Texas
Ms. Bass did not give any comments on Baybrook Park Retirement.

04-079 Baybrook Park Retirement, Webster, Reg. 6
This appeal was withdrawn.

04-085 Redwood Heights, Houston, Reg. 6
Ms. Carrington noted that there were 2 appeals on this project and one was withdrawn. The appeal that the Board considered was on the QCP.

Ms. Joyce stated the Northside Plaza Neighborhood Organization sent a letter that had 12 board members listed but had not given an actual list of members. The Board of Directors listed in the letter did not live near the development in the neighborhood. On Bonita Street they only gave the Board of Directors rather a list of the members but did state that they do not have the ability to have members. East Tex Jensen is not on record with the county or state.

Cynthia Bast, Attorney, Locke Liddell & Sapp, Austin, Texas
Ms. Bast stated there were 3 neighborhood support letters that were given to the Department. Northside Plaza Neighborhood Organization is a non-membership nonprofit corporation that is permitted under

Texas law. That letter stated that these were the directors and the people who make the decisions. The letter did give the mission and it also gave the boundaries covered by the organization.

Bonita Street House of Hope is also a nonprofit non-membership corporation and the Board made the decision to support the development. East Tex Jensen Superneighborhood Council is not on record with the county or state but the Board considered one of the other superneighborhood organizations and she asked the Board to consider this one.

Motion made by C. Kent Conine and seconded by Shad Bogany to deny all three letters for scoring and to deny the appeal.
Passed Unanimously

Kent Hance, Landmark Housing Development, Austin, Texas
Mr. Hance did not give any comments.

Ron Hance, Austin, Texas
Mr. Hance did not give any comments.

04-120 Sedona Springs Village. Odessa, Reg. 12
This appeal was withdrawn.

04-158 Windrock Apartments, Midland, Reg. 12
This appeal was withdrawn.

04-162 Travis Place Apartments, Lubbock, Reg. 1
Ms. Joyce stated the appeal concerns the QCP and two letters submitted by the Boys and Girls Club of Lubbock and the East Lubbock Community Development Corporation. A letter from the Boys & Girls Club of Lubbock reflected that this club serves all of Lubbock County and not a specific neighborhood and it does not meet the requirements of the QCP. The North East Lubbock CDC did not meet the requirements as it serves north and east areas of Lubbock which includes a 5X6 mile area and not a specific neighborhood.

Tim Smith, Developer, Lubbock, Texas
Mr. Smith stated the development is in a major redevelopment center and the letter from the North East Lubbock CDC states its purpose is to oversee redevelopment in that area of the project. The boundaries that this organization includes encloses the neighborhood that of this project.

Ron Hance, Developer, Lubbock, Texas
Mr. Hance stated the North East Lubbock CDC is not a neighborhood organization as the city formed it and the city is funding it with the City Council appointing all boards.

Motion made by Shad Bogany and seconded by C. Kent Conine to deny the appeal.
Passed Unanimously

04-163 Riverview Apartments, San Angelo, Reg. 12
Ms. Joyce stated the applicant is appealing a letter from the LULAC. The letter did not meet the requirements as it serves an entire county and not a specific neighborhood.

Mr. Tim Smith stated LULAC is a national organization but does cover various state regions. The one in Lubbock is very active in this specific neighborhood.

Alma Jacques, President, LULAC, Lubbock, Texas
Ms. Jacques stated LULAC supported this development and there is a need for more apartments and more housing for Lubbock. She asked the Board to approve this project for tax credits.

A. Menchaca, San Angelo, Texas

Mr. Menchaca gave his time to Mr. Suniga.

Mike Suniga, Jr., District Director, LULAC
Mr. Suniga stated this LULAC chapter does cover the area of the proposed development.

Motion made by Norberto Salinas and seconded by Shad Bogany to approve the appeal as LULAC has several chapters in this county.

Motion was then withdrawn by Norberto Salinas.

Motion made by C. Kent Conine and seconded by Patrick Gordon to deny the appeal.
Passed Unanimously

04-191 Providence at Boca Chica, Brownsville, Reg. 11
This appeal was withdrawn.

04-192 Providence at UT Southwestern, Dallas, Reg. 3
This appeal was withdrawn.

04-193 Providence at Edinburgh, Edinburg, Reg. 11
This appeal was withdrawn.

Estella Trevino, Exec. Director, Edinburg Housing Authority, Edinburg, Texas
Ms. Trevino thanked the Board for their recommendations for funding.

A. R. Ramirez, Mayor, Edinburg, Texas
Mr. Ramirez did not give any comments.

L., Juarez, Commission of Edinburg Housing Authority, Edinburg, Texas
Mr. Juarez did not give any comments.

Deedie McKinney, Edinburg, Texas
Ms. McKinney did not give any comments.

Pablo Valencia, Edinburg, Texas
Mr. Valencia did not give any comments.

04-255 Freeport Oaks, Freeport, Reg. 6
This appeal was withdrawn.

04-261 Gruene Oaks, New Braunfels, Reg. 9
This appeal was withdrawn.

Les Kilday, Developer, Houston, Texas
Mr. Kilday did not give any comments.

04-299 The Harvest Apartments, Mercedes, Reg. 11
This appeal was withdrawn.

04-017, Country Lane Seniors, Temple, Reg. 8
Ms. Joyce stated the Qualified Allocation Plan is explicit in the appeals requirements in that all appeals must be filed and handled in a timely manner. There were two appeals filed – one on July 12 and another on July 19. The one submitted July 19 regards the Attorney General opinion and a general appeal of the score. The one submitted on July 12 was for QCP. The letters were not filed in a timely manner.

July Morales, Citizens for Progress, Temple, Texas
Ms. Morales asked the Board to recognize Citizens for Progress as a bona fide neighborhood organization. Their purpose has been to work in the community to revitalize East Temple by addressing housing issues, infrastructure issues, education and economic development.

Lee Crossley, Chairman, Citizens for Progress, Temple, Texas
Dr. Crossley stated they supported Country Lane Seniors and the Village at Meadowbend and asked the Board to hear this appeal. It was not filed by the June 24th deadline but the project was on the recommended list and scheduled for approval. At the July 8th meeting, the project was taken off the list.

Patsy Luna, City Council Member, Temple, Texas
Ms. Luna stated Country Lane Seniors is important to the revitalization of this area of Temple. She read a letter into the record from Mayor William A. Jones, III, Mayor of Temple which stated: "In June the Attorney General had all projects ranked in accordance with the established state law, and we found the Country Lane Seniors project to be ranked second in the region. On July 7 the rules were changed again, and we found a severe penalty imposed on this project, resulting in being ranked fourth and unfunded. The new point system imposed on July 7 precluded the Temple project from participating in the factor involving income levels of the tenants. Why? Because the city of Temple had committed earlier to provide $110,000 and utility improvement dollars necessary for the success of the project.

The TDHCA scoring system change does not allow the applicants to participate in the local match factor and the tenant income level factor. Since the change in the rules occurred after all applications had been submitted for months, there was no opportunity for us to consider changing our application to address this recent change. The City of Temple in this case might have been better off by not financially assisting the developer. This is not fair to the Temple residents, especially if a point scored occurred in accordance with the Attorney General's direction and it be scored in accordance with the legislative specifics identified in the law. Due to the scoring formula changes, this project, which was funded in June and is now unfunded, we request that it be considered strongly for a forward commitment.

Bishop Tolbert, Citizens for Progress, Temple, Texas
Bishop Tolbert asked the Board to approve this project at the June 28th meeting and it was on the recommended list for approval. It was announced in an article in the *Temple Daily Telegram* that this project was recommended for approval. Pulling this seniors project at this date will create bad publicity for TDHCA. Temple has committed $110,000 for this project. By having this project at this location, the seniors can take advantage of the Scott & White Hospital. This application was also not scored and ranked in accordance with the Attorney Generals Opinion and the Citizens for Progress should be counted as a qualified neighborhood organization.

Lucinda Harman, Citizens for Progress, Temple
Ms. Harman gave her time to Mr. Mitchell.

Ken Mitchell, Developer, Ben Brook, Texas
Mr. Mitchell requested a forward commitment and stated they worked very hard in getting the leveraging of funds in the amount of $110,000 from the City. He stated the Attorney Generals opinion hurt him as he was on the recommended list but removed due to the Attorney Generals opinion.

Mark Watson, City Manager, Temple, Texas
Mr. Watson asked for a forward commitment for this senior's project. This project would be great for the community and the demand is overwhelming.

Motion made by C. Kent Conine and seconded by Shad Bogany to deny the appeal.
Passed Unanimously

04-033, Bethany Gates, Lubbock, Reg. 1

Ms. Joyce stated the applicant is appealing a score change subsequent to the Attorney General opinion. No specific score change was articulated in the appeal. The support letter from Representative Jones was not considered as the letter was not submitted on time.

Rowan Smith, Developer, Houston, Texas
Mr. Smith gave his time to Mr. John Pitts.

Samuel Palasota, Houston, Texas
Mr. Palasota gave his time to Mr. Pitts.

John Pitts, Attorney, Houston, Texas
Mr. Pitts stated the letter from Rep. Delwin Jones dated January 29, 2004, was included in the application packet submitted.

Ms. Joyce stated that Rep. Jones district is District 83 and the development is in District 84 so it is not in Rep. Jones' district.

Mr. Pitts stated they filed an appeal based on the Attorney General opinion and have not received a response from staff. He asked for a forward commitment for this project.

Motion made by C. Kent Conine and seconded by Shad Bogany to deny the appeal.
Passed Unanimously

04-070, Cedar Oak Townhomes, El Paso, Reg. 13
Before any discussions began on this project, Mr. Patrick Gordon, Board Member, recused himself from hearing any discussions and any voting on this appeal as his law firm is involved with the developer on other issues.

Mr. Tom Gouris, Director of Real Estate Analysis, stated the applicant appealed the underwriting report for several reasons: 1) Staff determined the market study was not self-contained; 2) the market study did not include a summary form; 3) did not include a rent matrix; 4) did not include a calculation of demand; and 5) developer fee can not be repaid in the 15 year timeframe.

Corrine Vonberg, El Paso, Texas
Mr. Vonberg gave her time to Cynthia Bast.

Ike Monty, Developer, El Paso, Texas
Mr. Monty stated he has filed over 50 applications with the department and never had an application not clear underwriting. This project was on the original recommended list. It has 160 units and is a townhome development. This is in a growing part of town on land that is properly zoned and the development does not require further approval from the city.

Mariann Alvarado, El Paso, Texas
Ms. Alvarado gave her time to Cynthia Bast.

Cynthia Bast, Attorney, Locke Liddell & Sapp, Austin, Texas
Ms. Bast stated the department's underwriting reflected several deficiencies in the market study and the applicant believes that several of these deficiencies have been resolved. The first issue was the capture rate as the underwriting report assets that in calculating the capture rate, the market analyst should not have included the American Palms project. The American Palms is not an approved project yet so the capture rate should not have been included. The second issue concerns the ability to pay the deferred developer fee within the time frame allowed. The applicant believed that it was advised that the credit amount could be changed and when the information was submitted it included a new set of numbers and a new credit amount. Based on this information from the department in the underwriting analysis that the old credit amount must be used, the numbers show that this transaction is financially feasible.

Mr. Gouris stated that the staff did not inform the applicant that an increase in the credit amount was allowed.

John Prior, Prior & Associates, Denver, Colorado
Mr. Prior stated after they had a chance to reevaluate the demand analysis and include the project that they missed, they came up with a demand of 1000 units and the department had 989 units. If one does not include American Palms the capture is below the accepted rate. He felt this project will attract lower income families and there will not over concentration in this area.

Keith Puhlman, Investment Builders, El Paso, Texas
Mr. Puhlman stated they believed that they could convert to the 60% as the net operating income for the project. The permanent loan is based on the net operating income of the property. He further stated that they were not given an opportunity for any clarification on the construction costs.

Vivian Rojas, City Council Representative, District 7, El Paso, Texas
Ms. Rojas stated TDHCA staff is recommending against this project. The market study proves that there is an overabundance of low income housing in the submarket and not enough demand. She felt it would be wrong for the Board to waive rules in order for this project. There were letters of opposition from Rep. Chente Quintanilla, El Paso County Commissioner Charles Scruggs and others have also submitted letters of opposition to the project. By funding this project TDHCA would be taking a risk and increasing liability for the State of Texas for going against their rules. She stated this project is not financially feasible.

Mr. Bogany and Mr. Salinas had questions on any opposition to the Diana Palms and American Palms.

Ms. Rojas stated there are new tax credit proposed projects near the planned project of Cedar Oak Townhomes. She stated a petition was filed by the neighbors on their own accord and submitted the petition to her.

Mr. Gouris stated each market is done and tailor-made for the development that is being proposed to determine if it is in the right market area. The issue that causes the market analysts numbers to show high demand is calculating his demand included a turnover which is allowed to be calculated.

Joe Alvarado, Investment Builders, El Paso, Texas
Mr. Alvarado gave his time to Mr. Prior.

John Prior, Prior & Associates, Denver Colorado
Mr. Prior stated that on the question of the difference between Americas Palms and Cedar Oaks is it was a different market area and they were two miles to the east of where the proposed site is.

Maria Espinoza, Investment Builders, El Paso, Texas
Ms. Espinoza gave her time to Mr. Puhlman.

Keith Puhlman, Investment Builders, El Paso, Texas
Mr. Puhlman stated the main issue is the financial feasibility and they provided a complete new set of numbers that supported the $985,000 original request for tax credits without making any reductions in amenities.

Martha Gomez, Investment Builders, El Paso, Texas
Ms. Gomez gave her time to Mr. Monty.

Ike Monty, Developer, El Paso, Texas
Mr. Monty stated they were told they could change the credit amount and were advised that this was acceptable by the department. This increase amounts to a $50,000 in credits. They have supplied a set

of numbers and they know the deal works even with the original numbers. He stated they have had four meetings but a city council member and a state representative would not come to these meetings.

Bobby Bowling, Developer, El Paso, Texas
Mr. Bowling stated he felt that staff is upholding the rules. He stated the Cedar Oaks is the lowest scoring project in El Paso that was allowed to change its application in its entirety. He felt this was an issue of not being fair by letting one developer re-do his complete application.

Mr. Bogany and Mr. Salinas asked that the political disagreements in El Paso be handled in El Paso and not to bring them before this Board.

Motion made by Shad Bogany and seconded by C. Kent Conine to accept staffs recommendation and to deny the appeal.
Passed Unanimously

04-082, Fenner Square, Goliad, Reg. 10
Ms. Joyce stated Fenner Square was denied 6 points for consistency with local planning. Because the department information from the city pointing out an issue that the department made an error in the initial review in awarding 9 points and should have awarded 6 points. The department determined that their $55,834 that was initially an item under local and private resources. This amount for high-speed internet access is not a development cost but the department did originally consider it one. The applicant is appealing this item as this should be considered as development costs.

Gary Driggers, Developer, San Antonio, Texas
Mr. Driggers thanked the staff for their hard work on all the projects and stated he just found out about the denial of points. They received an award from the Goliad Community Network and because of this award, they can provide wireless internet service to all of their units at $10 a month. The service provided quoting a rate in Goliad found that there are only two choices of service. There is wireless and fiber optic cable. Because of the award that they received, they reduced their infrastructure cost. They believe that the dollars saved from not putting in the phone lines counts as saving infrastructure costs and they are appealing the decision of staff.

Leo Gleinser, Resident, Goliad, Texas
Mr. Gleinser stated the residents of Goliad are having trouble with their tax base and they need something like this to generate stimuli in the community. He asked for favorable consideration of their request.

Roney Powell, City of Goliad, Texas
Mr. Powell did not give any comments.

Benny Martinez, Resident, Goliad, Texas
Mr. Martinez stated there is a tremendous need in Goliad for this multifamily housing.

Linda Koehler, Director of Economic Development for Goliad County, Goliad, Texas
Ms. Koehler stated the Goliad County Judge and the Goliad County Commissioners Court support Fenner Square as it will help fulfill a housing shortage in their county, create much-needed jobs during construction and place a non tax property on the tax rolls for approximately $830,000. They held two public hearings on this issue and over 100 people were in support and only 4 were against this project.

Buddy Zavesky, City Council Member and Former Mayor, City of Goliad, Texas
Mr. Zavesky stated the City of Goliad is a colonias. There are people living in poverty and they are just now getting water in the outlying areas. This project is a win/win situation for Goliad and he asked for approval of this appeal.

Ms. Joyce stated that the $55,834 for high-speed internet access was included in the development cost when they calculated this item. When the City of Goliad wrote the department advising that several items were inaccurate in the review, the department decided that the three extra points should not have been awarded. The department awarded 6 and not 9 points.

Motion made by Norberto Salinas and seconded by Shad Bogany to award back the 3 points for this project and to approve the appeal.
Passed Unanimously

04-156, College Street Apartments
Ms. Joyce stated this appeal deals with the Attorney General opinion, emergency rule for a two-point category added to the QAP. This project is serving units at the 30% of AMFI. Under this category under Section 13 of the QAP, College Street did not secure outside subsidies so no points were awarded. It is still financially feasible and was originally recommended. Staff requested that in the spirit of serving as many low-income individuals as possible and the fact that the development is still financially feasible, that the 30% units would be counted in this calculation for points.

Motion made by C. Kent Conine and seconded by Shad Bogany to deny the appeal.
Passed Unanimously

04-173, Gardens of Burkburnett, Region 2
Ms. Joyce stated this project did not have a specific action but the applicant did not like the way the Attorney General opinion affected his score.

Ivan Haugh, Topeka, Kansas
Mr. Haugh gave his time to Mr. Young.

Mark Feaster, Topeka, Kansas
Mr. Feaster gave his time to Mr. Young.

Donald Youngs, Development Director, Kemp, Texas
Mr. Young stated this appeal deals with the issue of the Attorney Generals opinion. With the changes that came about at tend of June, they lost considerable points and were on the original list but then was removed so they are requesting a forward commitment for this project.

Mike Tugman, City Councilman, Burkburnett, Texas
Mr. Tugman stated he was representing Mayor Bill Benson who could not attend this meeting. This project is the first senior citizen project they would see in their town which would be exclusively for seniors. There is a tremendous amount of support. Their population of people over 55 years of age represents about 23% of their population.

Lisa Fudge, Resident, Burkburnett, Texas
Ms. Fudge gave her time to Barney Fudge.

Barney Fudge, Attorney, Burkburnett, Texas
Mr. Fudge stated they have one major industry within their city limits and they have Sheppard Air Force Base outside of the city limits. Many retired servicemen have retired in Burkburnett and they need senior citizen housing. He stated the construction and permanent funding details have been completed; the tax syndicator has completed its due diligence; the construction contracts are being negotiated; and the compliance has been completed. Construction could start in October if the board will approve this project. Senator Craig Estes and Rep. David Kirby are in support of this project.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to deny the appeal.
Passed Unanimously

04-175, Gardens of Mabank, Region 3

Mr. Gouris stated staff was not recommending the transaction because of insufficient funding to allow the project to be financially feasible. The reason for this is due to the reduction in net operating income based on the fact that the rents that they had indicated were not achievable according to their original market study.

Mr. Young stated there were two issues and one concerns the points and the other is the financial feasibility.

Mark Feaster, Continental Realty, Topeka, Kansas

Mr. Feaster stated they received the notice from TDHCA underwriting that the project was not financially feasible on July 15. The department advised them that they had until July 22nd to reply but it was strongly urged to try to respond by the 19th. The applicant supplied information to meet that 19th deadline. There is updated information that provides additional information. He stated Boston Capital is the equity provider and they have underwritten the units at $3,000 a unit. They feel they can justify $700 market rate. They have provided a new pro forma at $700 that makes this a viable project.

Quinn Gormley, Boston Capital, Glendale, Arizona

Mr. Gormley stated through their underwriting process they have an extensive due diligence process. This gives them extensive knowledge in what operating costs are currently in that region. He read a letter into the record which he sent to the Department and which stated:

"Ladies and gentlemen, I'm writing on behalf of Continental Realty and Continental Real Estate, Inc., whom we have participated with in prior tax credit developments. We are the tax credit equity syndicator for three projects in Kansas for this developer, and we have letters of intent with them to provide equity for six Gardens of Texas projects currently under consideration.

"Based upon the findings of your first recommended list of projects, we had agreed to commence our due diligence on all six of the applications. We currently have comparable market surveys from each market, and are working to underwrite these individual developments to forward to our committee.

"We are aware that Continental Realty, Inc., has appealed to TDHCA findings on five of the six applications that have previously been recommended for funding. This letter is in regards to the appeal for Gardens at Mabank. "In regards to your underwriter's analysis of the Gardens at Mabank, we have seen additional comparable market rate rental surveys of one development that was missed and projects that were started after the initial market study performed and appraisals.

Lorine Confer, City Administrator, City of Mabank, Texas

Ms. Confer read a letter into the record from Representative Betty Brown, which stated:

"It has come to my attention that Continental Real Estate was denied funding for the referenced project, and has now filed an appeal. I would like to reiterate my support to this much-needed project, because 30.2 percent of Mabank households are occupied by individuals 65 years of age or older. The need for affordable senior housing is a growing concern. This project would give seniors who can no longer maintain a single-family home, but are not ready for an assisted living facility or nursing home, another option.

"Therefore, I urge you to give this careful consideration, as you review the appeal from Continental for tax credit status in regards to Gardens of Mabank." Thank you.

Judy Junell, Resident, Mabank, Texas

Ms. Junell stated people who move to their area are having to move back to Dallas as there is no affordable housing with the amenities they need in the Mabank area. The city council passed commitment to help fund the project with a commitment of $25,000. She read a letter into the record from Mayor Larry Teague which stated:

"As a lifelong resident of Mabank, mayor since 1995, business owner and real estate broker," and he has no real estate interest in this event whatsoever, "since 1974, I believe that I have a pretty good understanding of our city. Additionally, I own and manage over 30 rental properties in and around our community. On this basis, I believe that I also have a pretty good feeling for what rental rates are in Mabank and in the surrounding communities.

"I was surprised yesterday when I was advised by the management of the Gardens of Texas that TDHCA's internal analysis of our community suggests that the rental rates proposed by their organization are higher than market will bear, and higher than TDHCA will permit them to charge, thus rendering their proposal invalid. Hopefully, I will be able to attend the July 28 board meeting so that I may personally address the board on this matter. If I am unable to arrange my schedule, then we will plan to send someone who is able to read my comments into the record. Let me preface the following comments by stating that the City Council of Mabank, Texas, and I as mayor, fully support the construction of the development, and are confident that it will be completely pre-leased at the rates proposed by the Gardens of Texas, prior to completion of construction and receipt of [inaudible] documents. There is nothing like the proposed development in the Mabank area. And we again hope if you can't put it on our funding for this year, that you allow us to go on the funding for the 2005." Thank you.

Judy Youngs, Kemp, Texas
Ms. Young did not speak

Ivan Haugh, Topeka, Kansas
Mr. Haugh did not speak.

Mr. Gouris stated that from the information the staff had, and the information they were able to evaluate from the market analysts that the department staff can not come to their rental rates.

Motion made by C. Kent Conine and seconded by Norberto Salinas to defer this appeal to the next meeting so more information could be obtained by staff before a decision is made.

Motion withdrawn by Mr. Conine and the seconded was withdrawn by Mr. Salinas.

George Hopper, Continental Realty, Topeka, Kansas
Mr. Hopper stated they did furnish information to staff about numbers on the City of Terrell.

Motion made by C. Kent Conine and seconded by Beth Anderson to deny the appeal based on the information that staff has had to work on and in order to be fair to all applicants.
Passed with 5 ayes and 1 no (Mr. Salinas)

04-174, Gardens of Early

Mr. Gouris stated this was a basic appeal which appealed the underwriting and the inclusive capture rate. The original transaction was not recommended due to an inclusive capture rate issue. The market analyst used 70% renter percentage, and used a market area that included three counties. The market analyst concluded a capture rate of 15% in error, based on what should have been a calculation of 102 unstabilized proposed units. Staff looked at the numbers and came up with a much- lower demand number and an inclusive capture rate of well over 100% rate.

Don Youngs, Kemp, Texas
Mr. Young gave his time on this appeal to Mr. Feaster.

Mark Feaster, Continental Realty, Topeka, Kansas
Mr. Feaster stated they looked at the market study that was completed and compared it with a market study done for another project in that PMA that is in Brownwood. Based on the underwriter's assumption that 25.7% of total units needed would be for senior, they came up with a total need for senior housing at 136 units. Using this number and calculating the inclusive capture rate, they came up with 92% which is under the 100% allowable for maximum senior housing. Boston Capital and Stearns Bank of St. Cloud, Minnesota have both underwritten this transaction and approved it.

Motion made by C. Kent Conine and seconded by Shad Bogany to deny the appeal.
Passed Unanimously

04-222. Villas at Costa Cadiz
Ms. Joyce stated this appeal concerns low income target and the leveraging of funds from the City of Dallas.

Deepak Sulakhe, Primrose at Highland, Dallas, Texas
Mr. Sulakhe stated that the City of Dallas funding is contingent of them getting the award along with the applicant getting the city council approval. This transaction has the points for community support and the points for support from elected officials.

Motion made by C. Kent Conine and seconded by Shad Bogany to deny the appeal.
Passed Unanimously

04-224, Common of Grace Senior, Reg. 6
Ms. Joyce stated Ms. Joyce stated the applicant is appealing four separate QCP letters. The first is from superneighborhood #47 but is not on record with the state and they did not provide their boundaries in the letter.

Greater North Forest is not on record with the state and is not a neighborhood organization. Greater Houston is on record with the state but is not considered a neighborhood organization consistent with EARAC reviewing the letters again. The applicant asked that staff score the letters but staff did review the letters and voted not to accept them.

Harvey Clemons, Pastor, Pleasant Hills Missionary Baptist Church, Houston, Texas
Rev. Clemons stated the superneighborhood wrote letters of support. TDHCA staff is counting the letter from the president who wrote a letter but it was his personal opinion.

Sally Gaskin, Developer, Houston, Texas
Ms. Gaskin stated the superneighborhood wrote a letter of opposition and they were upset that the letter was not scored.

Motion made by Shad Bogany and seconded by C. Kent Conine to deny the appeal.
Passed Unanimously

04-271, Cornerstone, Reg. 7
Ms. Joyce stated this is an appeal for housing trust funds. They are only applying for trust funds and not tax credits and are asking for $36,624 and there is enough housing trust funds left after all recommendations have been made. This group did not provide the required public notice to the city and county clerk by the January 15th deadline.

Wesley Fletcher, Mary Lee Community, Austin, Texas
Ms. Fletcher the Cornerstone is one of the Mary Lee Community's projects. They are rehabbing 22 units and building 3 new efficiency apartments for people who are formerly homeless and who are disabled, either mentally or physically disabled. They did furnish a letter from the Bilker Park Neighborhood Association for their support. They were told by Travis County that they did not have a list of neighborhood associations. They are not shutting another nonprofit out by appealing this and receiving those funds. She admitted they did miss the deadline.

Motion made by C. Kent Conine and seconded by Shad Bogany to grant the appeal.
Passed Unanimously

04-299, Harvest Apartments, Mercedes, Region 11

Ms. Joyce stated they are appealing three separate items and one is the related party issue; the second is the appeal of the Attorney General opinion and their affected points that they had from that opinion; and the applicant did not publish the required notice for the newspaper, two times in the 300-day period. They were required to publish in two newspapers, one for their local area and the other for the MSA. They published in the MSA but did not publish in their local newspaper, which is called the Mercedes Enterprise.

<u>John Pitts, Attorney, Houston, Texas</u>
Mr. Pitts stated they did publish twice in The Monitor which is a newspaper out of McAllen which is the county seat of Hidalgo County where this property is located. That newspaper has a daily circulation of 30,635 compared to a weekly newspaper that is in Mercedes. There is no relationship between Basra International and Texas Regional Properties or Rowan Smith. The Attorney General's opinion caused them to loose points.

<u>Samuel Palasota, Houston, Texas</u>
Mr. Palasota gave his time to Mr. Rowan Smith.

<u>Rowan Smith, Developer, Houston, Texas</u>
Mr. Smith stated on the appeal for the newspaper the one they did advertise is in Hidalgo County and their project is between Mercedes and Weslaco in Hidalgo and that is the only paper that is available to residents in Hidalgo County and that is where they are located.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to deny the appeal.
Passed with 5 ayes and 1 no (Mr. Gordon)

04-302, Sierra Royale, Robstown, Reg. 10
This appeal was withdrawn.

<u>Kenneth Cotton, City of Robstown, Texas</u>
Mr. Cotton stated they are in full support of this project and is the type of housing needed in Robstown. He thanked the staff for recommending this project for approval.

<u>Sylvia Ramirez, Robstown, Texas</u>
Ms. Ramirez thanked the staff for recommending this project.

<u>Cynthia Bast, Attorney, Locke Liddell & Sapp, Austin, Texas</u>
Ms. Bast stated the points have been reinstated for this project and they appreciated this.

<u>Doak Brown, Attorney, Houston, Texas</u>
Mr. Brown stated he was an attorney for the San Diego Creek Apartments which is competing with the Robstown project. Until the day before, San Diego Creek was being recommended over the Robstown project but now the staff has reversed its decision and gave the points to Sierra Royale. He stated the letter issued by the Robstown Housing Authority is not a valid commitment as they were required to adopt written policy for the competitive selection of applicants and they did not do this. They did not advertise any competitive selection process. HUD was never notified that the Robstown Housing Authority intended to issue development-based vouchers and HUD has not approved any development-based vouchers.

<u>Rick Deyoe, Real Estate Developer, Austin, Texas</u>
Mr. Deyoe stated he was with the Sierra Royale and the commitment letter from the City of Robstown Housing Authority was reviewed by staff and there never was any deficiency. The commitment satisfied the rules of the QAP. There have many letters of support and from the State Representative, the State Senator, US Congressman and the Mayor of Robstown.

04-218, Converse Village, Region 9

Mr. Wittmayer stated this is an appeal filed concerning QCP. There were problems of a letter of support from the Lions Club of Converse and their boundaries are the city of Converse. EARAC determined that this group was not a neighborhood organization.

Tina Brooks, Granville, Ohio
Ms. Brookes stated the Converse Lions Club is separately incorporated and all of its members live in the City of Converse. All their physical activities have happened in Converse and within ½ mile of this project.

Sam Hughes, City Manager, Converse, Texas
Mr. Hughes stated he is the City of Manager and a member of the Lions Club. He stated they are a small city and only a total of 3 homeowners associations. They looked within the context of something that has meaning for a neighborhood organization that says they support and represent the citizens of the city and the best candidate was the Lions Club. Based on the fact that Lions Club has been the driving force for the community for Converse they asked them for a letter of support. He asked for favorable consideration of this project.

Lacey Lucas, San Antonio, Texas
Mr. Lucas did not give any comments.

Laura Holloway, Legislative Director and Committee Clerk for State Representative Carlos Ureste, Austin, Texas
Ms. Holloway stated this project would be located in Converse which is Chairman Urestes District and this district is composed of 9 smaller cities. She provided the Board with a copy of the letter of support submitted by Chairman Ureste for this project and asked that this letter be counted in the points as Chairman Ureste's father in law was in the hospital at the time the letter was to be submitted and they did not get it in on time due to this problem.

Mr. Luft, City of Converse, Texas
Mr. Luft stated in his former position he was a staff member of the former HUD Secretary. This project is an essential part as it promotes education for the children and encourages home ownership.

Barry Palmer, Attorney, Houston, Texas
Mr. Palmer stated he represented one of the projects that is currently on the list in Region 9 for funding. If the Converse appeal is granted, it will push off two projects that are currently on the list for Region 9. He felt that throughout this process, the Lions Clubs or Rotary Clubs have never been considered to be neighborhood organizations.

Motion made by Shad Bogany and seconded by C. Kent Conine to deny the appeal.
Passed with 5 ayes and 1 no (Mr. Salinas)

Anita Kegley, Developer, San Antonio, Texas
Ms. Kegley did not give any comments.

Vaughan Mitchell, Developer, Arlington, Texas
Mr. Mitchell did not give any comments.

Robert Joy, Developer, Austin, Texas
Mr. Joy did not give any comments.

Daniel Allgeier, La Villita Apartments, 04-014, Brownsville, Texas
Mr. Allgeier stated they survived the Attorney Generals opinion and the changing of points but were taken off the recommended list by an at-risk project. He stated La Villita is the highest scored transaction in the region that has not been funded and asked for a favorable forward commitment.

Randy Stevenson, Southwest Housing, Arlington, Texas

Ms. Stevenson did not give any comments.

04-140, Villa at Costa Cadiz, Reg. 9
This appeal was withdrawn.

b) Board Action on Staff Recommendations Concerning Developments for the 2004 Housing Tax Credit Program Application Round Final Commitments for Allocations of Tax Credits and Waiting List From the List of All Applications Submitted (Final Commitments May be Made in an Amount not to Exceed the Requested Amount With the Exact Amount Being the Amount Recommended by Staff in the Underwriting Analysis and Subject to Underwriting Conditions and Subsequent Board Decisions on Underwriting Appeals)

Project N	Project Name	Regi	Project City	Credit Amo Requeste
04007	Oaks Of Bandera	9	Bandera	$4
04008	Friendship Place	9	Fredericksburg	$4
04012	Tyler Square Apartments	4	Tyler	$6
04013	Kingswood Village	11	Edinburg	$3
04014	La Villita Apartments Phase II	11	Brownsville	$4
04017	Country Lane Seniors-Temple	8	Temple	$7
04018	Terrace Pines	8	College Station	$5
04024	South Union Place	6	Houston	$7
04026	Oak Timbers-White Settlement II	3	White Settlement	$4
04028	Heritage Park	3	Denison	$5
04030	Park Estates	5	Nacogdoches	$3
04032	Los Milagros	11	Weslaco	$1,0
04033	Bethany Gates Apartments	1	Lubbock	$8
04036	Villa del Sol	11	Brownsville	$4
04037	Las Canteras Apartments	11	Pharr	$5
04041	Mesa Senior's Apartments	6	Houston	$1,1
04047	Stratton Oaks	9	Seguin	$5
04050	San Diego Creek Apartments	10	Alice	$
04051	Frontier Trail Senior Village	2	Abilene	$5
04052	Chisholm Trail Senior Village	8	Belton	$4
04054	Vista Serena Court	1	Plainview	$8
04057	Stone Hollow Village	1	Lubbock	$8
04058	Spring Oaks Apartments	3	Balch Springs	$8
04059	Asbury Commons Apartments	6	Houston	$7
04060	Providence Place Apartments	6	Katy	$7
04062	Corrigan Gardens	5	Corrigan	$5
04063	Depriest Gardens	6	Houston	$1,1
04064	Ramah Village	6	Houston	$9
04065	Waterford Place	4	Longview	$3
04066	Pineywoods Community Orange	5	Orange	$4
04067	Beverly Place Apartments	5	Groves	$1
04069	Plaza Del Rio Townhomes	13	El Paso	$5

04070	Cedar Oak Townhomes	13	El Paso	$9
04071	Sea Breeze	10	Corpus Christi	$9
04072	Nacogdoches Senior Village	5	Nacogdoches	$2
04073	Avenue Park Villas	9	San Antonio	$7
04074	Las Palmas Garden Apartments	9	San Antonio	$6
04077	Bayforest Ranch	6	La Porte	$7
04079	Baybrook Park Retirement	6	Webster	$4
04082	Fenner Square	10	Goliad	$1
04084	Chelsea Place Apartments	9	Selma	$8
04085	Redwood Heights Apartments	6	Houston	$6
04086	Timber Village Apartments	4	Marshall	$6
04088	South Plains Apartments	1	Lubbock	$3
04089	Villas of Forest Hill	3	Forest Hill	$4
04091	Roselawn Manor	5	Orange	$8
04093	Villas of Seagoville	3	Seagoville	$4
04094	Big Country Senior Village	2	Abilene	$6
04095	Green Briar Village	2	Wichita Falls	$8
04096	Villa Main Apartments	5	Port Arthur	$1
04098	Copperwood Apartments	6	The Woodlands	$1,0
04100	O.W. Collins Apartments	5	Port Arthur	$4
04101	Pleasant Hill Apartments	7	Austin	$4
04103	Countryside Village	6	Humble	$4
04104	Lexington Square	6	Angleton	$2
04105	Preston Trace Apartments	3	Frisco	$1
04107	Whitefield Place Apartments	9	San Antonio	$4
04108	Tamarac Pines Apartments	6	The Woodlands	$9
04109	Frazier Fellowship	3	Dallas	$5
04112	Crestmont Village	6	Houston	$4
04117	Longview Senior Apartment	4	Longview	$6
04118	Churchill at Commerce	3	Commerce	$7
04120	Sedona Springs Village	12	Odessa	$6
04121	Tyler Senior Apt. Community	4	Tyler	$6
04122	Temple Senior Apartment	8	Temple	$6
04123	Amarillo Apartment Community	1	Amarillo	$6
04124	San Juan Village	11	San Juan	$3
04129	Pelican Landing Townhomes	10	Rockport	$5
04130	Villas at Costa Biscaya	9	San Antonio	$1,0
04131	Alhambra	9	San Antonio	$9
04137	Villas At Costa Verde	9	San Antonio	$1,0
04139	Villas at Costa Almadena	9	San Antonio	$1,0
04140	Villa at Costa Cadiz	9	San Antonio	$1,0
04141	Spring Creek Station Apartments	3	Saginaw	$1,0
04142	Western Trail Apartments	9	San Antonio	$8
04143	Courtland Square Apartments	12	Odessa	$7

04145	Village at Meadowbend Apt. II	8	Temple	$6
04146	Casa Korima	11	Mercedes	$1,1
04147	Shiloh Village Apartments	3	Dallas	$8
04149	Seton Home Ctr. for Teen Moms	9	San Antonio	$3
04150	Alician Manor Apartments	10	Alice	$2
04151	Renaissance Courts	3	Denton	$9
04152	Bluffview Villas	8	Brenham	$4
04154	Plainview Vistas	1	Plainview	$6
04156	College Street Apartments	6	Richmond	$5
04157	Samaritan House	3	Fort Worth	$8
04158	Windrock Apartments	12	Midland	$6
04160	Village on Hobbs Road	6	League City	$5
04161	Fair Mist Apartments	6	La Porte	$5
04162	Travis Place Apartments	1	Lubbock	$7
04163	Riverview Apartments	12	San Angelo	$7
04167	Oxford Place	6	Houston	$1,2
04168	Lincoln Park	6	Houston	$1,2
04170	Gardens of Athens	4	Athens	$2
04172	Gardens of Tye	2	Tye	$2
04173	Gardens of Burkburnett	2	Burkburnett	$2
04174	Gardens of Early	2	Early	$2
04175	Gardens of Mabank	3	Mabank	$2
04176	Gardens of Gladewater	4	Gladewater	$2
04180	Hanford Square	3	Granbury	$4
04182	Montopolis Senior Pavilion	7	Austin	$2
04183	Riverside Senior Pavilion	7	Austin	$2
04185	Greater Angelina Apartments	5	Diboll	$4
04186	Nacogdoches Loop Apartments	5	Nacogdoches	$4
04187	Chandler's Cove Retirement	7	Round Rock	$4
04188	Ambassador North Apartments	6	Houston	$4
04189	Villa Bonita Apartments	9	San Antonio	$9
04191	Providence at Boca Chica	11	Brownsville	$1,0
04192	Providence at UT Southwestern	3	Dallas	$9
04193	Providence at Edinburg	11	Edinburg	$4
04194	Lexington Court	4	Kilgore	$5
04195	Park Madison	3	Corsicana	$5
04196	Americas Palms	13	El Paso	$6
04197	Horizon Palms	13	Horizon City	$4
04198	Socorro Palms	13	El Paso	$2
04200	Alvin Manor Estates	6	Alvin	$2
04202	Freeport Manor	6	Freeport	$2
04203	Alvin Manor	6	Alvin	$1
04206	Lake Jackson Manor	6	Lake Jackson	$4
04207	Brookside Village Manor	6	Brookside Village	$4

04210	Westview Place	6	Conroe	$2
04211	Arbors at Rose Park	2	Abilene	$5
04212	Village at Forest Grove	4	Mount Pleasant	$5
04213	Village at Morningstar	6	Texas City	$5
04214	Las Villas de Magnolia	6	Houston	$6
04216	Thomas Ninke Senior Village	10	Victoria	$4
04218	Converse Village Apartments	9	Converse	$4
04220	Arbor Bend Villas	3	Fort Worth	$7
04222	Primrose at Highland	3	Dallas	$9
04223	Cherrycrest Villas	3	Dallas	$1,1
04224	Commons of Grace Senior	6	Houston	$7
04225	Villa San Benito Apartments	11	San Benito	$2
04226	Arbor Cove	11	Donna	$1,1
04228	Stone Hearst	5	Beaumont	$6
04229	Villages	6	Huntsville	$6
04235	Crescent Moon	6	Texas City	$7
04239	Crescent Rivers	8	Waco	$9
04240	Deer Creek Apartments	1	Levelland	$4
04241	Anson Park II	2	Abilene	$5
04243	Hampton Chase Apartments	4	Palestine	$5
04244	Camden Crossing Apartments	1	Brownfield	$4
04246	Wildwood Trails Apartments	2	Brownwood	$5
04247	Hawthorne Hills Apartments	4	Marshall	$4
04250	Knollwood Heights Apartments	12	Big Spring	$4
04252	Waxahachie Senior Apartments	3	Waxahachie	$4
04255	Freeport Oaks Apartments	6	Freeport	$7
04258	Vista Del Sol-The Rudy C Perez	9	San Antonio	$7
04259	Villa del Arroyo Apartments	12	Midland	$3
04260	Towne Park in Fredericksburg II	9	Fredericksburg	$2
04261	Gruene Oaks Apartments	9	New Braunfels	$5
04267	Brentwood Apartments	6	Aldine City	$7
04268	Lansbourough Apartments	6	Houston	$1,0
04270	Essex Gardens Apartments	6	Sealy	$6
04272	Crosby Terrace	6	Crosby	$2
04275	Bahia Palms Apartments	11	LaGuna Vista	$1
04276	Country Terrace Village	6	Highland	$2
04277	Western Oaks Apartments	6	West Columbia	$
04279	Golden Manor Apartments	6	Bay City	$1
04280	Country Square Apartments	4	Lone Star	$
04281	Tomball Square Apartments	6	Tomball	$
04282	Danbury Manor Apartments	6	Danbury	$1
04283	Shady Oaks Apartments	6	Prairie View	$1
04284	Katy Manor Apartments	6	Katy	$1
04285	Ole Town Apartments	4	Jefferson	$1

04286	Country Place Apartments	4	Atlanta	$2
04287	Vista Hermosa Apartments	11	Eagle Pass	$
04288	Briarwood Apartment	3	Kaufman	$1
04289	Hacienda Santa Barbara	13	Socorro	$1
04290	L.U.L.A.C. Village Park	10	Corpus Christi	$8
04291	Saltgrass Landing Apartments	10	Rockport	$
04292	West Side Place Apartments	6	West Columbia	$
04293	Lantana Ridge Apartments South	6	Beeville	$
04294	Lantana Ridge Apartments	6	Beeville	$
04295	La Mirage Villas	1	Perryton	$1
04296	Vista de Amistad Apartments	11	Donna	$5
04297	Joaquin Apartments	5	Joaquin	$
04298	Paloma Blanca Apartments	11	Pharr	$6
04299	Harvest Apartments	11	Mercedes	$6
04300	Vida Encanto	11	Rio Grande City	$4
04301	Villa de la Sombra Apartments	11	Donna	$1
04302	Sierra Royale Apartments	10	Robstown	$5
04310	Rosemont at Riverside	3	Fort Worth	$1,0

Ms. Carrington stated this is the board action of staff recommendations concerning developments for the 2004 housing tax credit program allocation round and final commitments for allocations of tax credits for forward commitments.

Ms. Boston stated there were two projects that had outstanding fees and the Department has received the payments and these have been cleared.

Ms. Boston stated that there were several changes for awards from what was published in the Board book and these are:
Region 9 01-432, Allahambra dropped off the list
Region 9 04-149, Seton Home replaced Allahambra
Region 10 04-302, Sierra Royal added to the list
Region 10 04-???, San Diego Creek dropped the list
Region 11 04-193 Providence at Edinburg added to the list
Region 11 04-014 La Villita dropped off the list

She stated that staff is requesting in Region 4 that Gardens of Gladewater, 04-176 be added and in Region 10, 04-0821, Fenner Square be added in the amount of $195,062.

Ms. Anderson stated that this has been a challenging year for the applicants; and for the department, and I think it appropriate as the department anticipates new legislation and associated rules, and this board and the staff appreciates the cooperation received from the development community in working through the growing pains of these issues. She thanked the development community for their cooperation and she thanked this very hard working staff for incorporating the Attorney Generals Opinion into the procedures and practices, and score all the applications, make numerous adjustments to the scores, and she felt the board will certainly consider forward commitments in light of all the changes that have come through this cycle this year. As the department moves forward constructively for next year there are things that need to fixed, and the QAP is coming up, and she invited everyone's participating in that process to have an even stronger program moving forward.

Mr. Conine asked that everyone give our hard-working staff a good round of applause.

Motion made by C. Kent Conine and seconded by Vidal Gonzalez to approve the list as amended for the 2004 tax credits and approval of the waiting list.
Passed Unanimously

c) Issuance of Determination Notice on Tax Exempt Bond Transactions with Other Issuer:
04-426 Kensington Place Apartments, Houston, Texas, Houston Housing Finance Corporation is the Issuer (Requested Amount of $542,560 and Recommended Amount of $542,560)
Ms. Carrington stated that 04-0426 is Kensington Place Apartments in Houston and is new construction and will serve families. Staff is recommending an allocation of $542,560.

Motion made by Shad Bogany and seconded by Norberto Salinas to approve Kensington Place Apartments in Houston, Texas for a determination notice in the amount of $542,560.
Passed Unanimously

04-432 Willow Springs Senior Residences, San Marcos, Texas, Capital Area Housing Finance Corporation is the Issuer (Requested Amount of $485,866 and Recommended Amount of $0)
Ms. Carrington stated that 04-432, Willow Springs Senior Residences of San Marcos is an elderly project. Staff is not recommending the issuance of a determination notice.

Casey Bump, Developer, Austin
Mr. Bump gave his time to Mr. Shaw.

Stuart Shaw, Representing Hunter Road Affordable Housing Limited
Mr. Shaw stated that Hunter Road Affordable Housing is the owner of the proposed Willow Springs Senior Residence in San Marcos. He stated this is a great site for a senior project and they did upgrade this project and have letters of support from elected officials.

Buddy Trotter, O'Connor & Associates, Houston, Texas
Mr. Trotter stated that they did the market study and felt the market is very healthy in Sam Marcos.

Jim Show, Executive Director, Capital Area Housing Finance Corporation, Austin, Texas
Mr. Shaw stated they have been working with the developer and TDHCA staff during this process and they stand ready to issue the bonds.

Barry Palmer, Attorney, Houston, Texas
Mr. Palmer stated this seniors project is ready to close and will have no adverse affect on any other allocation.

Carlos Tijerina, Vice-President, Board of Commissioners, San Marcos Housing Authority, San Marcos, Texas
Mr. Tijerina stated the Board of Commissioners voted unanimously to support this project and he asked the Board to do the same thing.

Ted Cornwell, Attorney, Austin, Texas
Mr. Cornwell did not give any comments.

Tina Brooks, Granville, Ohio
Ms. Brooks did not give any comments.

Albert Sierra, Sam Marcos Housing Authority, San Marcos, Texas
Mr. Sierra did not give any comments.

Ms. Carrington stated there is a letter of support from State Representative Patrick Rose.

Motion made by C. Kent Conine and seconded by Norberto Salinas to approve the Willow Springs Senior Residences in San Marcos for the issuance of a determination notice in the amount of $482,804 and to waive the 60 day requirements.
Passed Unanimously

04-434 The Village at Cornerstone, Houston, Texas, Harris County Housing Finance Corporation is the Issuer (Requested Amount of $420,188 and Recommended Amount of $420,188)
Ms. Carrington stated that Cornerstone Village is in Houston, Texas and is new construction and is an elderly project. Staff is recommending approval.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the Village at Cornerstone, Houston, Texas for a determination notice in the amount of $415,267.
Passed Unanimously

Item 3 Presentation, Discussion and Possible Approval of Programmatic Items:
a) Board Action on Staff Recommendations of Developments For the 2004 Housing Trust Fund Rental Awards From the List of All Applications Submitted

04-211 Arbors at Rose Park, Reg. 2, Abilene, $75,000
04-212 Village at Forest Grove, Reg. 4, Mount Pleasant, $100,000
04-213 Village at Morningstar, Reg. 6, Texas City, $200,000
04-214 Las Villas de Magnolia, Reg. 6, Houston, $200,000
04-271 Cornerstone, Reg. 7, Austin, $36,624
04-278 Vistas Apartments, Reg. 7, Marble Falls, $473,235
04-289 Hacienda Santa Barbara, Reg. 13, Socorro, $93,938
04-062 Corrigan Gardens, Reg. 5, Corrigan, $78,000
04-063 Depriest Gardens, Reg. 6, Houston, $184,751
04-064 Ramah Village, Reg. 6, Houston, $200,000

Ms. Carrington stated staff is requesting the approval of two Housing Trust Fund Rental Awards. Staff is requesting the Village at Morning Star, Texas City, Reg. 6, 04-214 for the amount of $200,000 and Vistas Apartments in Marble Falls, Reg. 7, 04-278, for $473,235.

Ms. Boston stated staff is also recommending that 04-271, Cornerstone's Mary Lee Community Development be awarded an amount of $39,264.

Motion made by C. Kent Conine and seconded by Shad Bogany to approve the awards for: Village at Morning Star, Texas City for $200,000; Vistas Apartments, Marble Falls, for $473,235; and Cornerstone Mary Lee Community Development for $39,264.
Passed Unanimously

b) Board Action on Staff Recommendations of Developments For the 2004 Housing Trust Fund Capacity Building Awards From the List of All Applications Submitted

Applicati Numbe	Organization	Regic	City	Amount Req.
04901	Opportunity Center for the Homeless	13	El Paso	$30,000
04902	FUTURO Communities, Inc.	11	Uvalde	$30,000
04903	Habitat for Humanity of Wichita Falls	2	Wichita Falls	$30,000
04904	Alianza Para El Desarrollo Comunitario	13	San Elizario	$30,000
04905	The Marvellous Light Corporation	13	El Paso	$30,000
04906	United Cerebral Palsy of Texas	7	Austin	$30,000
04907	Montgomery County Women's Center	6	The Woodlands	$30,000

04908	South East Texas Economic Dev. District	5	Beaumont	$30,000
04909	Affordable Housing of Parker County	3	Springtown	$30,000
04910	Midland Community Development Corp.	12	Midland	$30,000
04911	South Plains Community Action Assoc.	1	Levelland	$30,000
04912	Denton Affordable Housing Corporation	3	Denton	$30,000
04913	Ability Resources Inc.	3	Fort Worth	$30,000
04914	Austin Revitalization Authority	7	Austin	$25150
04915	Accessible Communities Inc.	10	Corpus Christi	$29,480
04916	Habitat for Humanity of Denton County	3	Denton	$34,500

Ms. Carrington stated staff is recommending 14 of the 16 applications to be funded.

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

c) Board Action on Staff Recommendation of Development For the 2004 HOME Rental Awards for Community Housing Development Organizations From the List of All Applications Submitted
04-194 Lexington Court, Reg. 4, Kilgore, $1,500,000, CHDO Operating Expense of $75,000
Ms. Carrington stated staff is recommending Lexington Court in Region 4 with 80 units for funding in the amount of $1,500,000 with the operating expense of $75,000. There will be other applications for these funds but this is the first application to come through in this open cycle.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve Lexington Court, Reg. 4, 04-194, for $1,500,000 and CHDO Operating Expense of $75,000.
Passed Unanimously

d) Board Action on Staff Recommendations of Developments For The 2004 HOME Rental Awards for Preservation From the List of All Applications Submitted

TDHC	Project Name	Regi	City	Amount of Rec
0429	La Mirage Villas	1	Perryton	$500,000
0428	Briarwood Apartments	3	Kaufman	$500,000
0428	Shady Oaks Apartments	6	Prairie View	$465,000
0427	Golden Manor Apartments	6	Bay City	$400,000
0427	Bahia Palms Apartments	11	Laguna Vista	$650,000
0428	Vista Hermosa Apartments	11	Eagle Pass	$320,000

Ms. Carrington stated staff is recommending six home rental preservation development awards for a total of $2,835,000.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the 2004 HOME Rental Awards for Preservation for La Mirage Villas, $500,000; Briarwood Apartments for $500,000; Shady Oaks for $465,000; Golden Manor Apartments for $400,000; Bahia Palms Apartments for $650,000; and Vista Hermosa Apartments for $320,000.
Passed Unanimously

e) Board Action on Staff Recommendations of Disaster Relief Funds from the HOME Program Deobligated Funds for:

App. No.	Applicant	Region	Activity	$ Requested	$ Admin

DR2004-0269	**Cameron County**	**11**	**Owner Occupied**	**$ 500,000**	**$ 20,000**
DR2004-0272	**City of Falfurrias**	**10**	**Owner Occupied**	**$ 495,000**	**$ 19,800**
DR2004-0273	**Brooks County**	**10**	**Owner Occupied**	**$ 495,000**	**$ 19,800**
DR2004-0274	**Newton County**	**5**	**Owner Occupied**	**$ 421,600**	**$ 16,864**
DR2004-0276	**Inst. Of Rural Dev.**	**10**	**Owner Occupied**	**$ 495,000**	**$ 19,800**
DR2004-0277	**Hands of Hope**	**10**	**Owner Occupied**	**$ 495,000**	**$ 19,800**
DR2004-0278	**Falfurrias PHA**	**10**	**Owner Occupied**	**$ 495,000**	**$ 19,800**
Totals				$3,396,600	$135,864

Ms. Carrington stated that this award covers seven 2004 disaster relief applications. There were three disasters that these awards address and these are disaster in September 2003; in November 2003; and April 2004. These are also available for 4% administrative funds.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the awards of disaster relief funds for these seven applicants.
Passed Unanimously

f) Board Action on Staff Recommendation of An Olmstead Award From HOME Program Funds

App. No.	Applicant	Region	Activity	$ Requestec	$ Admin
2004-0067	**ARCIL, Inc.**	**7**	**Tenant Based Rental**	**$103,194**	**$6,192**

Ms. Carrington stated this request is for one HOME award for Tenant Based Rental Assistance under the Olmstead set-aside and the total amount of the award is $109,386.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve the award from HOME Program funds for ARCIL, Inc., 2004-0067 for Region 7, in the amount of $109,386.
Passed Unanimously

g) Board Action on Housing Preservation Incentive Program:
1) Ole Town Apartments, Jefferson, Texas, Requested Amount of $280,000; Recommended Amount of $280,000
2) West Side Place Apartments, West Columbia, Texas Requested Amount of $385,000; Recommended Amount of $0
3) Katy Manor Apartments, Katy, Texas, Requested Amount of $475,000; Recommended Amount of $475,000

Ms. Carrington stated staff is recommending the approval of two preservation incentive program development awards for a total of $755,000. This would leave a balance of $542,002 in this account. Staff is recommending Old Town Apartments, Region 4, for $280,000 and Katy Manor Apartments, Reg. 6, for $475,000.

Motion made by Shad Bogany and seconded by C. Kent Conine to approve Old Town Apartments for $280,000 and Katy Manor Apartments for $475,000.
Passed Unanimously

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EXECUTIVE SESSION Elizabeth Anderson

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

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning an Investigation by the Brazoria County Criminal District Attorney on Forged Letters Concerning Tranquility Bay Apartments

Consultation with Attorney Pursuant to §551.071, Texas Government

Code, Concerning Pending or Contemplated Litigation

OPEN SESSION Elizabeth Anderson

Action in Open Session on Items Discussed in Executive Session

Ms. Anderson stated that no executive session would be held.

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REPORT ITEMS

Executive Directors Report

1. Report on Urban Affairs Committee Meeting of July 16, 2004
   Ms. Carrington stated that the department testified at the Urban Affairs Committee Meeting on July 16th and that committee will be putting together an interim report.

2. Report on Senate Intergovernmental Relations Committee Meeting on July 27, 2004
   Ms. Carrington stated the department testified at this committee and discussed housing in rural areas of Texas.

Ms. Anderson thanked GMAC, Newman and Associates and Paramount Financial Group for their furnishing of refreshments for this meeting. She also thanked Senator Gonzalo Barrientos for the securing of the use of this auditorium.

ADJOURN

Motion made by C. Kent Conine and seconded by Shad Bogany to adjourn.
Passed Unanimously

The meeting adjourned at 5:45 p.m.

Respectfully submitted,

Delores Groneck
Board Secretary

bdmijuly2

BOARD ACTION SUMMARY

MULTIFAMILY FINANCE PRODUCTION DIVISION

September 9, 2004

Action Items

1. Consider the 2005 Draft Qualified Allocation Plan and Rules to be published for public comment.

2. Consider the proposed repeal of the 2003 Qualified Allocation Plan and Rules.

Required Action

Approve, or approve with amendments, the 2005 Draft Qualified Allocation Plan and Rules, to be published for public comment. Approve the proposed repeal of the 2003 Qualified Allocation Plan and Rules.

Background and Recommendations

Attached behind this Board Action Item is the 2005 Draft Qualified Allocation Plan and Rules ("Draft QAP") which reflects all of staff's recommendations for revisions to the QAP for the Board. The document is shown as a "blackline" of the 2004 QAP – additions are shown as underlined text and deletions are shown as marked through text.

The 2005 Draft QAP being recommended by staff ensures compliance with all statutory requirements, incorporates some of the 2005 QAP Working Group's Recommendations, incorporates other input received, and includes other recommendations that staff believes are necessary to improve the Housing Tax Credit Program and are recommended based on staff's evaluation of necessary policy and administrative changes and improvements.

The remainder of this document outlines those recommendations. Section I outlines staff's inclusion (or not) of the 2005 QAP Working Group Recommendations; Section II outlines other important recommendations being made by staff that were not part of the Working Group's Recommendations. Note that minor revisions and clarifications are not outlined in this document, but are included in the 2005 Draft QAP.

Revisions Since August Board Book

To facilitate review of this document, noted below are a list of the items which have been substantively altered from the time this agenda item was provided to the Board on August 19, 2004. The description of the changes to these items is merely a bullet of the item; in general, more information follows in the body of the memo; however, this list may assist in knowing which sections to focus on. Other revisions were also made to address referential integrity within the document, to correct numbering, to correct or improve grammar and verb tense usage, to fix minor technical or administrative changes, and to fix references to years (2004, 2005, and 2006).

- Revision to Definition of Ineligible Building Type
- Requirement for Market Study Engagement Letter submission to include a map of the intended Market Area
- Revision to Ex Parte Provision of Ineligibility Allowing Verbal Communication with Executive Staff
- Revision to add Definition of Urban/Exurban
- Revisions to Notification Requirements regarding Evidence and To Whom the Notifications are Made
- Deletion of Mixed Income Points
- Revision to Zoning Threshold Requirements
- Revision to Quantifiable Community Participation – Removal of Average Points, Removal of requirement to have Organizational Documents, More Detail on Specifics of Scoring
- Integration of Affirmatively Furthering Fair Housing points and Housing for Families points into the Development Location points
- Deletion of CHDO Sponsor Characteristic points and Inclusion of HUB Points
- Increase in Points for Rehabilitation
- Minor Adjustments in Scoring
- Points for PHA Waiting Lists deleted and Moved into a Preference for Tie Breakers
- Deletion of IRS 8821 Form Submission Requirement
- Revision to Carryover Language to Simplify Effective 10% Test Date
- Revision to Identity of Interest Acquisition Document Requirements

I. DEPARTMENT'S UTILIZATION OF WORKING GROUP RECOMMENDATIONS

In January 2004, the Texas Department of Housing and Community Affairs ("the Department") initiated a work group to generate recommendations for the 2005 QAP that govern the Housing Tax Credit Program. That group, the 2005 QAP Working Group ("the Working Group"), a group independent of the Department, collaborated for six months to provide staff with final recommendations of their preferred revisions to the QAP. The "2005 QAP Working Group Recommendations for Revisions to the 2005 Qualified Allocation Plan and Rules" ("Working Group Recommendations") is the official report of the Working Group and was released to the public on the Department's website on July 28, 2004. For more detailed information on the structure, topics and committees of the Working Group, please refer to that document on the Department's website.

The Working Group Recommendations reflect the decision of the group as a whole. Since the Working Group's recommendations were made by vote, and not consensus, it should be noted that the recommendations do not necessarily reflect the preferences of all Working Group members. The recommendations also did not (and do not) reflect the recommendations of Department staff.

What follows in Section I is a staff response to each of the recommended revisions made by the Working Group, organized by section of the 2004 QAP for which the input was given. Input not made specifically to the QAP (for instance those made to the Underwriting Rules) are not addressed here. The response to each recommendation is one of the three following choices:

- **Staff Recommends –**Recommendation has been integrated into the 2005 Draft QAP;
- **Staff Recommends with Revisions –** Recommendation has been partially integrated into the 2005 Draft QAP; the variation between the Working Group Recommendation and the 2005 Draft QAP is explained; or
- **Staff Does Not Recommend –**Working Group Recommendation is not integrated into the 2005 Draft QAP and an explanation is given.

Note that the references below are to the 2004 QAP

1. **§50.3(47) on Ineligible Building Types.** The Working Group recommends that the bedroom mix for a particular development be determined solely by the needs of the market and that the developer should set the bedroom mix (one, two, three and four bedroom) as well as the type of development (single family, townhome, garden apartments, etc.) based upon its analysis of the market supported by a third-party market analysis. Therefore, the group recommends deleting subparagraphs (E) and (G) of the definition for Ineligible Building Type. ***Staff Does Not Recommend.*** *However, staff recommends that the introductory sentence to paragraph (G) be revised to say "Any Development involving any new construction of additional units…" to address that developments doing partial rehabilitation/partial new construction must comply.*

   The minority opinion of the committee regarding this issue was approved by the Working Group as their official Minority Opinion. That opinion is that certain Board members perceive abuses in credit demands by the developers that build four-bedroom units and to address this issue the Board placed limits on the bedroom mix (as opposed to setting a maximum limit on credits per unit). The minority opinion is that if the Board is not receptive to entirely deleting the limitation placed on the bedroom mix, then as an alternative, the Board should consider setting a limit on credits per unit instead of on bedroom mixes.

2. **§50.3 Definitions on Urban/Exurban and Rural.** The Working Group recommends that definitions for Urban and Exurban be created and that the definition for Rural be revised. ***Staff Partially Recommends:*** *Staff recommends adding a definition of Urban/Exurban that is all those areas not meeting the definition of a Rural Area. Staff believes that the legislation as drafted, with urban and exurban combined with a slash, confirms that the Urban and Exurban allocations are combined and not two separate allocations. Staff does not recommend any revisions to the definition for a Rural Area since that definition is legislated.*

3. **§50.5(b) Addition of Ineligibility Criteria**: The Working Group voted to approve the addition of a new ineligibility criteria that would identify applicants who fail to make loan repayments to the Department as being ineligible for funds. ***Staff recommends.***

4. **§50.6(e) – Size Limitations**. The Group approved a new Rural Allocation size limit of 96 units which does not permit market study exceptions. The minority recommendation was a tie between 80 and 104 units. The Group also recommends that all unit limitations throughout the QAP be divisible by four since townhouses are often built as fourplexes. ***Staff Recommends.*** *However, the Working Group recommended that developments exceeding the 96 Unit limit be moved into the Urban/Exurban Allocation which staff does not recommend as already discussed. Staff Recommends revisions for divisibility by four which increases the unit limits to 252. Staff also recommends, based on comment received, that the minimum development size for HOME and HTF awards only be 4 units as opposed to 16.*

5. **§50.7(a) – Regional Allocation Language Relating to the USDA 538 Program.** The Group approved a revision to the paragraph on Regional Allocation that deletes a restriction against the 538 Program not being included in the USDA Allocation; this revision will allow USDA 538 developments to be eligible for that allocation. ***Staff Recommends***.

6. **§50.7(a) – Set Aside for USDA.** The group voted on whether to increase the USDA set-aside from 5% to 10%. This motion failed. On that same topic, the group then approved by vote to keep the 5% regional allocation for USDA but also approved the concept that an additional 5% of the At-Risk Set-Aside be targeted for USDA. (It was not clear whether this was approved as 5% of 15%, yielding a total increase of only 0.75%; or 5% of the total set-aside and therefore 1/3 of the At-Risk Set-Aside.) Revised language was not specifically provided. ***Staff Does Not Recommend:*** *Because no clarification was provided on this item from the Working Group and because no specific language was provided, staff does not recommend any changes to the existing set-asides.*

7. **§50.8(c) –Pre-Application**. The group decided not to include the USDA 514 Program in the pre-application exception. This item is revised to show that applications under the USDA 514 Program also are not required to participate in the Pre-Application process. ***Staff Recommends.***

8. **§50.9(d)(4) – Subsequent Evaluation of Prioritized Applications**. The Group voted to clarify that the redistribution of credits occurs in both Urban/Exurban and Rural areas. ***Staff Recommends.***

9. **§50.9(f)(4)(B)(iii) – Provision of Disposals and Dishwashers as Threshold**. The group recommends that dishwashers and disposals should not be a threshold requirement on developments involving the rehabilitation of existing elderly developments. ***Staff Does Not Recommend:*** *Staff feels that these are amenities valued in properties for low income tenants and that if an applicant is spending the funds to rehabilitate a property it should add these amenities. No recommended changes.*

10. **§50.9(f)(8) –Notification**. While the Working Group did not pass specific language revisions for this item, they did approve, by vote, that applicants should only be required

to notify in one of the following three methods: signage, newspaper, or mailing notification to nearby residents. Each of these three methods is already described in detail in the QAP – the only revision is that whereas applicants must currently do the newspaper and then additionally either the signage or mailing alternative, they would now be able to pick only one of the three. ***Staff Recommends with Revisions*****:** *Staff does not recommend having the option of one of the three because in communities where an applicant may try to avoid public input, they may only run the newspaper ad since these tend to be less widely read. Staff, instead, recommends deleting the newspaper requirement entirely as suggested at the Housing Tax Credit Round Table and requiring that an applicant choose between either the sign or the mailing alternative.*

11. **§50.9(f)(8)(B) – Notification.** Clarifies the level of evidence for notifications and that the evidence should be that it was mailed, not received. The Group also recommends deleting the language that limits the notification to only Pre-Application for those that have done Pre-Application notifications; essentially this expands notification to Application for all applicants even if they already notified at Pre-Application. The level of detail of the information provided in the notifications is also recommended to be reduced. ***Staff Recommends with Revisions:*** *Staff did not accept the revision that the proof of notification be of mailing (and not delivery), but instead added language that the Applicant must submit a sworn affidavit stating that they made the notifications and provide the mailing list (with names and addresses) of all of the recipients. No other proof of mailing or delivery will be required. Staff does not recommend deleting the language relating to Pre-Application – this will cause excessive additional notification for the applicant; will create additional unnecessary review for staff and will place an additional burden on officials. Regarding the level of detail to be provided in the notification, staff accepted some of the revisions but has made adjustments that it feels are necessary to ensure that notification is comprehensive and is recommending the alternative suggested for clause VIII.*

12. **§50.9(f)(8)(B)(ii)(I) – Clerk and Neighborhood Notifications.** Recommends that the first level of notification be made to local officials and local planning departments in lieu of city and county clerks; that the notification be permitted to be made later than last year's QAP permitted; and that the zip code notification language be deleted. Clarification was added that the statement of "knowing no neighborhood organizations" should be part of the application. ***Staff Recommends with Revisions:*** *Staff accepts the local official revision but feels that contacting the planning department will not yield significantly different results from the clerk notification of 2004. Staff suggests that for 2005, the notification only be made to the local official. Also, the dates were not adjusted as late as the Working Group recommended, because this would reduce the response time for the officials. Staff also adds that the application must reflect information on the appropriate officials. Staff also made several clarifications for consistency with the Working Group's recommendations and then added some clarifying language to ensure that all issues of documentation are addressed.*

13. **§50.9(f)(9)(B) – Organization Documentation for Threshold**. The group recommends that the only organizational document that should be required at application for threshold is a reservation of name for a to-be-formed entity or evidence of authority to do business in Texas for existing entities. All other items should be required after award and through creation of a new section under §50.13. ***Staff Recommends.***

14. **§50.9(g)(1) – USDA language in Financial Feasibility Exhibit.** This item is revised for clarification regarding the acceptable form from USDA. ***Staff Recommends with Revisions:*** *Staff accepts this revision, and made additional revisions to simplify the review process.*

Staff is recommending that the Selection Criteria section of the QAP be "overhauled". Recommendations delete all items that are not specifically legislated. Therefore, several items on which the Working Group made recommendations are no longer items recommended by staff for inclusion in the QAP.

15. **§50.9(g)(2)(A) & (B) – Quantifiable Community Participation (QCP).** The Group expanded how the term "on record" is defined for purposes of meeting the requirement for this exhibit and deleted the requirement that the QCP letter must be addressed to the Director of Multifamily. The Group also adds the requirement that 51% of the neighborhood organization's members must live within a mile of the development site. ***Staff Recommends with Revisions****: Staff concurred with the revisions with the added clarifications that the recording with the Department must be by March 1, 2005. Staff did not agree that 51% of membership should be required to live within one mile as it places too restrictive a requirement on the neighborhoods. Separate from the revisions of the Working Group, staff made additional suggested revisions to this item to clarify the process for applicants and neighborhoods, which includes defining "neighborhood organization."*

16. **§50.9(g)(2)(C) – Quantifiable Community Participation Scoring.** The Group clarifies that the signatory's mailing address must be provided. The Group additionally approved language that the organization must provide the Department with minutes of the meeting where their decision was made as well as a tape of the meeting; it was agreed that the Department would not be obligated to listen to the tape, but would have it for backup if needed. The Group also recommended adjusting the language for applicant's eligibility for the "average" and suggested that these applicants get the maximum number of points – not the average. ***Staff Recommends with Revisions:*** *Staff concurs with the mailing address, but thinks that the request for minutes should not be required as it places too great a burden on the neighborhoods. Staff did not concur with the revisions for which applicants are eligible for the maximum points because it would reduce the impact of the input from neighborhood organizations and incentivize applicants to select areas with no neighborhood organizations. Instead, staff recommends that Applications for which no letters are scored receive a neutral score of 12 points. Additionally, staff added language describing how the letters would be evaluated for points.*

17. **§50.9(g)(2)(D) – Quantifiable Community Participation Evaluation.** The group agreed that the language in paragraph (D) regarding false statements be moved from this section of the QAP to another more general area. ***Staff Recommends*** *and suggests moving the language to §49.9(c).*

18. **§50.9(g)(3) – Development Location Characteristics**. The Group voted to retain the existing development location characteristics section with the exception of amending subparagraph (D) to give incentives to developments in tracts in which the AMFI equals or exceeds 80% of the MFI for the county, instead of having an MFI greater than that of

the county. Note number 20 below regarding “Exurban” points. ***Staff Does Not Recommend.*** *The greater than MFI language follows the bond priority statutory language. Staff also added several items to this section that work to affirmatively further fair housing and support housing for families with children.*

19. **§50.9(g)(4) – Site Location Characteristics**. The group voted to retain the existing language with the exception of removing the negative points associated with a development adjacent to or within 300 feet of an Interstate Highway. ***Staff Does Not Recommend.*** *As noted above, this is one of the sections which staff is recommending be deleted in its entirety as it is not a legislated requirement.*

20. **§50.9(g)(5) – Housing Needs Characteristics and Exurban Points**. The Group voted to remove the Affordable Housing Needs Score (AHN) from the QAP. In the event that the Board retains the AHN scoring points, the Group recommended deleting the “Exurban” points currently found at §50.9(g)(3)(G). The group wanted to be sure that only one of those two items – either the AHN Score or the Exurban Points – remain in the 2005 QAP. ***Staff Recommends with Revisions****: Staff feels that the AHN Score has been a successful method for directing development into the more needy areas of a given region and that it should not be deleted outright, but staff is recommending that the maximum score for this item be only 7 points. Additionally, staff concurs that the Exurban points should be deleted. It should be noted that at the time of the Working Group’s recommendations the AHN Score was worth 20 points and the Exurban points were worth 10 points.*

21. **§50.9(g)(6) – Support and Consistency with Local Planning**. The Group voted to change subparagraph (A) relating to consistency with the consolidated plan to replace the points for consistency with points for support from local officials. Additionally, the group recommends deletion of the reference to the Attorney General Opinion in subparagraph (C) and to the local points under (C)(ii). ***Staff Recommends with Revisions****: Staff concurs with the deletion of the Attorney General language, however due to the ruling that points can not be awarded from local officials, staff does not concur with moving this to subparagraph (A), but recommends deleting all references to local official support points in this section. Separately, consistent with staff’s recommendation to not score items that are not legislated, the points for consistency with the consolidated plan were moved to threshold, are no longer being recommended as a point item, and are only required in communities that do not have zoning requirements in place.*

22. **§50.9(g)(6)(B) – Evidence of Public Meeting.** This item is revised to show that either minutes and a tape, or a full transcript, must be provided to receive points. ***Staff Does Not Recommend.*** *As noted above, this is one of the sections which staff is recommending be deleted in its entirety as it is not a legislated requirement.*

23. **§50.9(g)(7)(B) – Development Characteristics, Cost per Square Foot**. The Group voted to retain the existing language at §50.9(g)(7)(B) regarding costs per square foot, but with the exception that the $73 per square foot cost limitation for projects that are only partially transitional housing for the homeless will only apply to the transitional units. ***Staff Recommends Partially.*** *Staff recommends keeping the exhibit as is – because transitional developments are no longer given points for being partially transitional, the language regarding transitional units is unnecessary. Additionally, based on separate*

public input staff is recommending that the cost per square foot be increased from $62 to $64.

24. **§50.9(g)(7)(C) – Development Characteristics, Unit Amenities**. The Group made a revision to the Unit Amenities increasing the SEER rating for the air conditioning from 12 to 14 for a Development. ***Staff Recommends.***

25. **§50.9(g)(7)(D) – Development Characteristics, Common Amenities**. The Group made several revisions to the Common Amenities which included adding "Full perimeter fencing without controlled gate access" for two points, deleting item (VII) because it is repetitive with item (XVI), adding "or Equipped Computer Learning Center" to item (XII), noting in item (XIII) that Game/TV Room is actually a Furnished Community Room, deleting the reference to Health Screening in item (XVII) and adding it as its own item, adding a putting green at item (XIX), and clarifying in item (XXI) that an applicant can get one point for one playground or tot lot. ***Staff Recommends with Revisions:*** *As noted above, this is one of the sections which staff is recommending be deleted in its entirety as it is not a legislated requirement. However, staff is recommending that this entire section be moved to the Threshold Criteria and in that section staff did make the changes recommended by the group.*

26. **§50.9(g)(7)(F) – Development Characteristics, Mixed Income Developments**. The Group recommends reducing the point range structure for mixed income developments from 7/6/4/2 to 4/3/2/1. ***Staff Does Not Recommend:*** *Staff recommends the deletion of mixed income points. Staff feels that the mission of the Department is to promote <u>affordable</u> housing. The current item for income targeting adequately achieves a mixture of income levels within the affordable categories.*

27. **§50.9(g)(8) – Sponsor Characteristics, HUB Points**. The points for material participation and ownership by a certified Historically Underutilized Business were recommended for deletion due to the perceived abuses in the award of points for this item. ***Staff Does Not Recommend:*** *Staff recommends that the HUB points be retained but revised to address some of the perceived abuses – revisions included the requirement that the HUB have been in existence for at least 5 years and that the HUB have at least 51% ownership in the General Partner.*

28. **§50.9(g)(9) – Developments Targeting Families with Children**. The Group recommends revising this item to allow two-bedroom units to qualify as meeting this requirement but at 40% of the units instead of 30% being set aside at two bedroom or more. ***Staff Recommends with Revisions:*** *If implemented as proposed by the Working Group, then developments with 60% of the units designed as one-bedrooms would qualify for these points, which staff does not feel meets the intent of Section 42. Therefore, staff recommends the addition of two-bedroom units as requested by the Working Group, but at a significantly higher percentage of 70% two or more bedroom units. Additionally, staff made this revision as part of two new paragraphs in the Development Location item and removed it from its own point section.*

29. **§50.9(g)(11) – Tenant Characteristics**. The Group took two actions regarding this section. By vote, the group approved a revision that only developments dedicating 100% of their units for transitional housing for the homeless would qualify for points under this

section. Additionally, the Group approved a proposal to reduce the points allowed for this section from 22 to 4. ***Staff Recommends:*** *Input from applicants, as well as the Portfolio Management and Compliance Division, indicate that partially transitional developments are very difficult to manage and monitor.*

30. **§50.9(g)(12) and (13) – Income Levels of the Tenants.** The Group voted to replace both of the current paragraphs (12) and (13) with simplified language that indicates that points will be awarded as follows in a more straightforward structure that involves less calculation and will be more understandable in scoring (for staff and applicants). As noted later in this report, the Working Group recommends that references to 30% of AMGI be based on the higher of local area median income or statewide median income. The Group also specifically voted to remove any requirement that additional subsidy or funding sources be provided for units earmarked for households at the 30% level. ***Staff Recommends with Revisions:*** *Staff Recommends the general structure proposed by the Working Group, but has made some clarifying additions as reflected in the Draft QAP, including increasing the points. As recommended by the group, no subsidy requirement is being recommended for low income targeting. As discussed later in this document, staff does not recommend utilizing the higher of local or statewide median when referencing 30% units.*

31. **§50.9(g)(14) – Leveraging.** The Group voted to delete the second and third sentences of subparagraph A which provided a list of acceptable types of leveraging sources. The Group also voted to allow points under this section even if the development is awarded points for low income targeting. ***Staff Recommends with Revisions:*** *Staff Recommends deleting the second sentence and concurs that applicants should be eligible for points under Low Income Targeting and Leveraging, but additionally to ensure compliance with Chapter 2306, staff recommends that leveraging only be permitted for sources of funding from local governments. Staff additionally made revisions to the timeframe in which the evidence of the subsidy must be provided. Staff has also made some clarifying additions as reflected in the Draft QAP.*

32. **§50.9(g)(18)(A) – Regarding Penalty Points**. This item is revised for clarification that the penalty points should not be deducted for extensions associated with developments that have USDA as a lender. ***Staff Recommends.***

33. **§50.9(g)(18)(A), §50.15(a) and §50.21(k) – Extensions**. The group recommends an extension of time for the construction loan closing to September 1st for all financing requiring governmental approval such as FHA-insured loans, HUD, USDA, etc. By extending the deadline and removing the penalty, the group feels that the Department will encourage development that would generally be less feasible to seek out other financing alternatives that may take more time. Additionally, the group approved a revision to §50.21(k) that allows extension requests to be filed up to the applicable deadline date. ***Staff Recommends*** *that all submission requirements at construction loan closing be eliminated; however, if they are retained, staff recommends this revision.*

34. **§50.9(g) – Cumulative Ranking of Scores.** The Group voted not to implement an adjustment to the scoring that would rank the point total in conformity with the nine priorities specified in Senate Bill 264. ***Staff Does Not Recommend:*** *Staff has ensured*

that the QAP fully complies with Senate Bill 264 and all other requirements of 2306, as well as §42, Internal Revenue Code.

35. **§50.12(d) – Credit Amounts for Bond Developments**. The group recommends permitting increases to bond amounts as long as they do not exceed the amount permitted under Internal Revenue Code §42(m)(2)(d); the amount of credits should not be contingent on whether the cost increases were unavoidable or unforeseeable. Additionally, they recommend that increases greater than 110% of the original credit amount on the Determination Notice be approved by the Board, but that all other increases of a lesser amount be approved administratively. It should be noted that the language in the 2004 QAP currently only refers to §42(m)(2)(D) and does not restrict the increases to unavoidable or unforeseeable cost increases (this was in the 2003 QAP and removed for 2004)***. Staff Recommends.***

36. **§50.16(a) – Cost Certification**. The group recommends that a title policy or 'nothing further certificate' be required with the cost certification documents and that it be dated on or after the date of substantial completion. ***Staff Recommends.***

37. **§50.18(c)(8) – Amendments Relating to Low Income Units.** The Group approved a procedure, and penalties, for developers who propose to target low income units and then seek to be released from the commitment to serve the lowest income households. The Group worded this proposal to only penalize the appropriate parties and specifically excludes the syndicator. ***Staff Recommends****. The specific language is reflected in §49.17(c)(8) of the Draft QAP.*

38. **Comprehensive QAP Revision on Rent and Income Limits.** The Working Group recommended that the rent and income limits for 30% units, as referred to throughout the QAP, should be based upon the greater of either the local Area Median Family Income (AMFI) or the statewide AMFI. They recommended that this revision should apply not only to the rent schedule and underwriting, but also to the low income targeting evaluation. The Group noted that the Department will have to provide these income limits by number of people because they are not published by HUD. ***Staff Does Not Recommend:*** *Staff feels that this proposal is not in the best interest of the lower income tenants – a true 30% tenant in a low income area will not necessarily be eligible for the unit if the higher standard is used. Additionally, the administrative difficulty of monitoring using this approach would need to be researched further.*

39. **Interpretation and Handling of Regional Allocation and Defining Rural, Urban and Exurban Areas.** The group approved their Majority Recommendation which is summarized as follows:
    - × The Department will continue to allocate housing funds to the 13 regions in the manner prescribed in 2306.111(d) that provides that the funding shall be based on the need for housing assistance and the availability of housing resources.
    - × Within each region, the funding shall initially be allocated between Rural and Urban/Exurban areas based on the need/availability formula.
    - × "Rural areas" as defined in 2306.6702(12) shall be used but clarification should be added that any new construction developments exceeding 76 units shall not qualify for the rural allocation, but instead will compete in the Urban/Exurban Allocation.

- × The allocation of funds between Urban and Exurban shall be based on the population ratio that Urban bears to Exurban within that region. "Urban Regions" are high growth regions with populations in excess of 1,000,000 people. An "Urban City" is a city with a population equal to or greater than 250,000. The Exurban area is the area outside of the Urban City. An "exurban community" can be located in either a (1) Rural Area or (2) a non-urban city or (3) an unincorporated area with an Urban Region. The Exurban allocation is a separate funding allocation and does not impact the Rural Allocation.

Staff Does Not Recommend: *Staff believes that the legislation as drafted, with urban and exurban combined with a slash, confirms that the Urban and Exurban allocations are combined – not two separate allocations. Therefore staff does not recommend that some regions have 3 pots as suggested by the Working Group. Furthermore, staff feels strongly that regional distribution issues are geographic – not contingent on characteristics of the development. Therefore, staff does not recommend that an Application's designation be tied to number of units in the development to determine its allocation category. Staff recommends no changes.*

40. **QAP Addition Regarding Housing Sponsor Report.** The group recommends that the Threshold Criteria be updated to require that Applicants who have an ownership interest in existing properties in the Department's inventory must have submitted the Housing Sponsor Report on all of those properties. They recommend that the reports must all be submitted within 90 days of the submission of the application, but that if it is not provided it should not trigger termination. ***Staff Does Not Recommend****: While the Working Group wanted this added as a submission requirement, they were not recommending that it trigger termination. However, the lack of any requirement being met can trigger termination. Staff recommends that this be considered further in the future and the impact of non-filing be clarified.*

II. DEPARTMENT RECOMMENDATIONS FROM STAFF – NOT WORKING GROUP RECOMMENDATIONS

This section outlines other substantive recommendations being made by staff that were not part of the Working Group's formal Recommendations or not summarized in the Working Group portion of this document. Less substantive issues, details of revisions, formatting adjustments, and streamlining are omitted, but are reflected in the draft QAP provided to the Board for the Board Meeting.

Note that references below are to the numbered sections of the 2005 Draft QAP.

1. **Tax Exempt Bond Developments and Non-HTC Applications – General Revisions.** Because several of the components of the QAP (eligibility, threshold, etc.) are used for 4% Tax Exempt Bond Applications, as well as HOME and Housing Trust Fund rental applications, revisions have been made throughout the Draft QAP, as applicable, to ensure that deadlines that were specific to the 9% application round now are clearer on how this applies to the other programs that may have different application submission deadlines.

2. **§49.3(12) and §49.7(b)(2) – At-Risk Set Aside.** Revised both sections to clarify questions from 2004 and eliminate inconsistencies between these two sections.

3. **§49.3(50) and §49.19 – Material Non-Compliance and Compliance Monitoring.** All references to Material Non-Compliance and Compliance Monitoring are now done by reference only and the citations refer to 10 TAC §60 which is the Portfolio Management and Compliance Rule. This rule will go out for comment, and be sent to the Governor for approval, with the QAP.

4. **§49.3(61) – Definition of QAP –** The definition was revised to more clearly refer to §42 and to the sections of 2306 that describe the QAP.

5. **§49.5(a)(7) and (8) – Ineligibility.** Clarification was added for the "Two Times the State Average" ineligibility item to notify applicants of exactly when the test is applied to their application for both 9% and 4% credits; and the deadline was added (April 1, 2005) for when the applicant must have obtained a resolution from the local government to gain the waiver on the "Two Times the State Average" and the "One Mile – Three Year" tests.

6. **§49.5(b) – Disqualification and Debarment.** A new item was added as paragraph (2) that allows the Executive Director to disqualify an application if it is missing whole volumes, has excessive omissions or is so incomplete that it can not be reasonably reviewed. As with other items in this section, the Applicant has the opportunity to appeal this decision. Clarification was also added to this section to ensure that the language regarding entities for which Material Non-Compliance are reviewed is consistent with the application Threshold (some revisions in this vein are also found at §49.9(e) of the Draft QAP). Also references to Material Non-Compliance are referred to the PMC rule. Clarification was made that ineligibility for outstanding bills from the Department is only after 30 days from the bill date (not immediately); this is to give them time to at least pay their bill. Finally, staff recommends deleting paragraph (3) because it was redundant and already stated in paragraph (a) of this section. Additionally under (b)(7), the language relating to Ex Parte was revised to track the language in 2306 and to permit executive staff to have oral communication with applicants, as well as written communication.

7. **§49.5(e) – Affidavit.** New language is being added regarding due diligence and a sworn affidavit.

8. **§49.6(d) – Credit Amount.** Clarification was added that indicates how Forward Commitments are applied to the $2 million credit cap – the language being added is already our interpretation and how we have been applying it; however we are now recommending incorporation into the rule.

9. **§49.6(f) – One Mile – One Year Rule.** Clarification was added of how forward commitments fit into the one mile-one year evaluation – the language being added is already our interpretation and how we have been applying it; however we are now recommending incorporation into the rule. Also, consistent with §2306, staff recommends removing the tax credit applications associated with the Tax Exempt Bonds from being held to this test.

10. **§49.7(a) – Regional Allocation Formula.** Clarification on how forward commitments approved by the Board (for both the competitive 9% application round and the Rural Rescue developments) will be applied to/deducted from the set-asides and allocation areas for the following year. They are not just taken "off the top." The language being added is already our interpretation and how we have been applying it; however we are now recommending incorporation into the rule.

11. **§49.8(c) and (d) – Pre-Application Evaluation Process and Review.** This section was revised to remove the clause regarding review for inclusive capture rate (applicants can still do this, but staff did not feel it was necessary to have the language in the QAP); revised as discussed earlier for Working Group recommendations; and language was added that indicates that staff will not do a comprehensive review of all eligibility issues at pre-application and therefore is not responsible to the applicant to let them know at that point in time if they have any problems with their application. Staff additionally is adding language to the Pre-Application Threshold Criteria that more clearly delineates the site control period for pre-applications and required submittals rather than referencing similar document requirements from the Application Threshold section of the QAP (this created many questions and confusion last year so staff is working to minimize applicant confusion in this area).

12. **§49.9(a) – Application Submission.** The language in this section was revised to be clearer about applications being fully ready for submission on intake day (this created confusion last year). Language was also added to clarify that unless asked by the Department in a deficiency notice, an applicant can not revise set-asides, credit amounts or unit mixes – some applicants attempted to give 'extra' changes that were not requested like this in response to deficiency notices.

13. **§49.9(d) – Evaluation Process.** One of the most significant administrative processing changes that is being suggested is in this section. Historically, the Department has thoroughly reviewed applications first for threshold before reviewing for scoring. The Threshold review, at a minimum, involves a 4-5 hour review per person (on a well-packaged application) and is performed by two separate individuals; the scoring review generally involves only a 30 minutes to 1 hour review per person and is also performed by two separate individuals. Because of this older methodology, ultimately many Threshold Reviews are performed on applications that are non-competitive based on their score. Therefore, this section is being revised substantially to reflect a new proposed procedure: applications will first be reviewed for eligibility and scoring. Then, based on score, region and set-aside requirements "priority" applications will be defined – those will be the applications reviewed for threshold. Deficiencies will only be issued on threshold if they are reviewed. This proposal will streamline the review process significantly, minimize staff overtime during the cycle, reduce the time for "priority" applications to be forwarded for underwriting and minimize the time applicants spend on threshold deficiencies when they are noncompetitive. Within these revisions, staff also proposes shortening the deficiency period from ten days to seven days – a compromise to still give the applicants time while not unduly dragging out the processing of applications.

14. **§49.9(e)(1) – Experience Certification.** Based on preliminary public input and from applicants participating in other rental programs, language was added that applicants

applying for less than 36 units need only have 25 units of experience to obtain an experience certification. This may help to encourage new applicants interested in small developments in non-rural areas.

15. **§49.9(f)(4) – Certifications.** In the 2004 QAP, applicants were required to do a minimum threshold of Common Amenities that were described in the Selection Criteria section of the QAP. To emphasize that these are threshold, this section has been "pasted", with several Working Group revisions, into the Threshold category. This also makes the requirement for these items more clear to the 4% applicants that must meet this threshold, but because they do not have to be scored so were often confused (staff is recommending that no selection criteria points can be awarded for this in 2005). Other minimal clarifications were also made throughout this section and a federal initiative was addressed by adding that all units must have technological capacity for high speed internet as recommended by One Economy, a nonprofit entity working to enhance technological advances in low income households. The certification regarding energy efficiency has been dramatically streamlined and now only requires that the applicant meet the 2003 International Energy Conservation Code – the QAP no longer provides the detailed specifications of what this should or should not entail. It was also clarified that local codes should be met, and only in the instance of no local codes, should the International Building Code be used. Additional clarification was added regarding design standards that must be met and that the 504 requirement for townhomes that requires 20% of the units having a downstairs bedroom is only for new construction.

16. **§49.9(f)(5) – Design Items.** Minimal revisions to reduce unnecessary documentation submissions.

17. **§49.9(f)(6) – Cost Information.** Clarified that the Property Condition Assessment required for rehabilitation developments can be submitted at the same time as other third party reports.

18. **§49.9(f)(7) – Readiness to Proceed.** Staff recommends that site control language be clarified based on some applicant confusion in the 2004 cycle and also clarifies that site control must be continuous. Staff also strongly recommends, after the many fluctuations from the 2004 cycle, that the requirement for zoning approval from the Planning and Zoning Commission that was due on April 1 be removed entirely. Staff does recommend retaining the requirement that the Applicant have full zoning approved by council at the time of Commitment and that this requirement not be permitted to be extended. Staff also added that in the event that local municipality does not have zoning, the municipality must provide a letter that the proposed development is consistent with the consolidated or comprehensive plan. Finally, staff revised this section to enhance consistency with other revisions being suggested elsewhere in the QAP.

19. **§49.9(f)(8) – Notifications.** As described earlier regarding the Working Group recommendation, staff recommends deleting the newspaper advertisement requirement. In addition to those items referred to with the Working Group recommendation, staff also added circumstances for which re-notification would be required for an Applicant who had already notified at Pre-Application and revised the public notice posting in rehabilitation developments – paragraph (D) – to be a certification that tenants have been notified.

20. **§49.9(f)(9) – Ownership Structure.** References relating to previous participation and the gathering of that information was revised to be consistent with other similarly themed revisions elsewhere in the QAP. Additionally, to streamline application submissions, only very limited organizational evidence is required at application – this requirement was moved to §49.13(c) and is due at the time of commitment.

21. **§49.9(f)(12) – Acquisition Threshold.** Clarified that an appraisal is only needed for applicants affiliated with the seller if they are requesting a land value greater than the amount shown in the purchase contract.

22. **§49.9(g) – Selection Criteria.** The entire Selection Criteria section for scoring has been substantially overhauled. Most importantly, staff is recommending that only those scoring items that are tied directly to legislative mandates are being retained. All other scoring items are being recommended for removal. Additionally, substantial revisions were made to continue to meet the requirements of SB264 and a maximum score of 195 points was established.

    To comprehensively make formatting, text location and order changes, deletions and additions, the language for the entire section (g) has been deleted and an entire new section (g) has been inserted. While some language from some scoring items may have remained the same, it is reflected in this text as being "new" text. This methodology facilitates a clean review of the new section and enabled staff to have a "clean slate" in drafting this section. However, because this makes it more challenging to look at a before and after snapshot of the changes, staff is providing the attached table which reflects briefly those major changes as a before and after. Minor revisions are not reflected here.

    Staff would like to note that there are several scoring items that have been added to ensure all legislative requirements are being satisfied. These include:
    - Points for developments located in Qualified Census Tract that contribute to revitalization (selection item #16);
    - Points for Leveraging. This item has now been split into three different sections. One item gives points for anticipated commitments of local development funding (selection item #5), one item gives points for anticipated commitments of state, private or federal funding (selection item #19), and one item gives points for actually having a firm commitment of funds from a third-party source and in which the development is located outside of a Qualified Census Tract (selection item #20);

STAFF STRONGLY ENCOURAGES A THOROUGH REVIEW OF THE SELECTION CRITERIA IN THE DRAFT QAP AS THE REVISIONS ARE SUBSTANTIAL.

23. **§49.9(h) – Tie Breakers.** Staff recommends removing the tie breakers that all applications historically have all achieved (which made them ineffective as tie breakers). The tie breakers that everyone achieved were the level of amenities being provided. The section was revised to have taking tenants from the PHA waiting list as the first tie breaker, ahead of credits per Net Rentable Area.

24. **§49.10 – Board Decisions, Forward Commitments.** The discretionary items were revised to track with the language in 2306.0661 regarding topics for public hearings and the inclusive capture rate was added as a discretionary item. Language was added that would authorize all forward commitments that would normally be required to be consistent with the 2005 QAP to be deemed as meeting that QAP if it satisfied the requirements of the 2004 QAP except for any statutorily required QAP changes. If this is added the issue of forward commitments always having to revise their applications will be ameliorated. Staff also clarified that developments getting forward commitments are under the timeline for applications under the following year, not the year of the award; the language being added is already our interpretation and how we have been applying it; however we are now recommending incorporation into the rule.

25. **§49.12 – Tax Exempt Bond Developments.** This section is proposed to remove the requirement that the applicant demonstrate consistency with the bond issuer's consolidated plan – but retains the requirement for consistency with the local municipality's consolidated plan. This was confusing and often difficult to get even though the application was consistent with the local government. Clarification was also added explaining how the Department determines which QAP is applicable for a given bond application. The language being added is already our interpretation and how we have been applying it; however we are now recommending incorporation into the rule.

26. **§49.13 – Commitment Notices**. The QAP currently indicates that a Commitment Notice will not be issued for any Development that violates the inclusive capture rate calculation as determined by Real Estate Analysis. Staff proposes removing this restriction from the QAP. The inclusive capture rate was created prior to the implementation of the one mile rules. While staff feels the inclusive capture rate should still be calculated by the Real Estate Analysis Division and may be taken into consideration in making a recommendation to the Board, it should not be utilized solely to deny an award of credits. Language was also moved to this section from other sections regarding documentation submission requirements at commitment, which include organizational documents originally due at application. Staff recommends deleting the requirement for IRS Form 8821.

27. **§49.14 – Closing of the Construction Loan, Commencement of Substantial Construction.** Staff recommends that section (a) Closing of the Construction Loan be deleted from the QAP which means the Department would no longer require the submission of documentation for the closing of the construction loan. Section (b) Commencement of Substantial Construction will be moved to Section 49.14(c). The Commencement of Substantial Construction along with the progress of plan reviews and inspections will be sufficient for the Department to gather progress information throughout the construction stage. This requirement remains important in gauging the progress of the applicants in moving toward the IRS deadline for placement in service. The removal of Section (a) Closing of the Construction Loan is no longer required to track progress and will reduce administrative processing and streamline the QAP. If the Board chooses not to delete section (a), staff alternatively recommends that the requirements associated with the Closing of Construction Loan deadline be rolled into the 10% Test which occurs in June of the year following the allocation.

28. **§49.15(b) – LURA Processing.** Staff recommends a revision regarding the deadline and timing of submitting a LURA and the Compliance fee.

29. **§49.17(e) – Issuance of IRS Form 8609.** Clarified that 8609 forms may be delayed in their issuance if the development violates application representations.

30. **§49.18(d) – Transfers.** Language revised to indicate that transfers will not be approved if they are requested prior to issuance of IRS 8609 forms unless there is evidence of a hardship; to describe how the credit cap is considered in transfers; and to remove language regarding partner removals that have been concerning investors.

31. **§49.21 – Fees.** The Pre-Application, Application and Commitment Fees are being increased to accommodate increasing administrative costs of operating the tax credit program based on increased legislative requirements and rules. The Pre-Application fee is increased from $5 per Unit to $10 per Unit, the Application fee is increased from $20 per Unit to $30 per Unit, and the Commitment/Determination Fee was increased from 4% to 5% of the annual Housing Credit Allocation amount. Additionally, one new fee was created called the Tax Exempt Bond Credit Increase Request Fee. This would be a fee charged to applicants on Tax Exempt bond developments that are requesting credit amount increases at the time of Cost Certification. The fee in this case is to cover the cost of the additional review demands.

Scoring Breakdown in Descending Order of Points for the Draft 2005 QAP

QAP Para.#	Topic	Total Points	Notes	Legislative Citation - Compare to QAP
1	Financial Feasibility	28	NA	2306.6710(b)(1)
2	QCP from Neighborhood Organizations	24	Range of 0 to 24 with 12 being neutral	2306.6710(b)(1) 2306.6725(a)(2)
3	Income Levels of the Tenants	22	NA	2306.6710(b)(1) 2306.111(g)(3)(B) 2306.6710(e) 42(m)(1)(B)(ii)(I) 2306.111(g)(3)(E)
4	Size and Quality of the Units	20	6 point max for size; 14 point max amenities	2306.6710(b)(1) 42(m)(1)(C)(iii) 2306.6725(b)(1)
5	Commitment of Local Political Subdivision Development Funding	18	NA	2306.6710(b)(1)
6	State Elected Official Support/Opposition	14	Range of +14 to -14	2306.6710(b)(1) 2306.6725(a)(2)
7	Rent Levels of the Units	12	NA	2306.6710(b)(1)
8	Cost Per Square Foot	10	NA	2306.6710(b)(1) 42(m)(1)(C)(iii)
9	Services for Tenants	8	NA	2306.6710(b)(1) 2306.254 2306.6725(a)(1); Rider 6
		156		
10	Housing Needs Score	7	NA	42(m)(1)(c)(ii)
11	Rehabilitation with Revitalization	7	NA	42(m)(1)(C)(iii)
12	Pre-Application	6	NA	2306.6704
13	Development Location	4	NA	2306.6725(a)(4) and (b)(2); 2306.127 42(m)(1)(c)(i) & (vii) 42 U.S.C. §3608(d)
14	Special Housing Needs Populations - Transitional	4	NA	42(m)(1)(c)(v)
15	Length of Affordability	4	NA	2306.6725(a)(5); 2306.111(g)(3)(C); 2306.185(a)(1); 2306.6710(e)(2); 42(m)(1)(B)(ii)(II)
16	Location in QCT with Revitalization	2	NA	42(m)(1)(B)(ii)(III)
17	Sponsor Characteristics -HUB	2	NA	42(m)(1)(C)(iv)
18	Intended for Homeownership / ROFR	1	NA	2306.6725(b)(1); 42(m)(1)(C)(viii)
19	Leveraging of State, Federal and Private	1	NA	2306.6725(a)(3)
20	Third Party Commitment Outside of QCT	1	NA	2306.6710(e)(1)
21	Penalties	NA	Range	2306.6710(b)(2)
	Maximum Number of Points	**195**		

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

Multifamily Finance Production Division

2005 Housing Tax Credit Program
DRAFT Qualified Allocation Plan and Rules – For Board Approval (Sept.)

§~~50.~~49.1. Purpose, Program Statement, Allocation Goals.

(a) **Purpose.** The Rules in this chapter apply to the allocation by the Texas Department of Housing and Community Affairs (the Department) of Housing Tax Credits authorized by applicable federal income tax laws. The Internal Revenue Code of 1986, §42, as amended, provides for credits against federal income taxes for owners of qualified low income rental housing Developments. That section provides for the allocation of the available tax credit amount by state housing credit agencies. Pursuant to Executive Order AWR-92-3 (March 4, 1992), the Department was authorized to make Housing Credit Allocations for the State of Texas. As required by the Internal Revenue Code, §42(m)(1), the Department developed this Qualified Allocation Plan (QAP) which is set forth in §§~~50.~~49.1 through ~~50.~~49.23~~24~~ of this title. Sections in this chapter establish procedures for applying for and obtaining an allocation of Housing Tax Credits, along with ensuring that the proper threshold criteria, selection criteria, priorities and preferences are followed in making such allocations.

(b) **Program Statement.** The Department shall administer the program to encourage the development and preservation of appropriate types of rental housing for households that have difficulty finding suitable, accessible, affordable rental housing in the private marketplace; maximize the number of suitable, accessible, affordable residential rental units added to the state's housing supply; prevent losses for any reason to the state's supply of suitable, accessible, affordable residential rental units by enabling the rehabilitation of rental housing or by providing other preventive financial support; and provide for the participation of for-profit organizations and provide for and encourage the participation of nonprofit organizations in the acquisition, development and operation of accessible affordable housing developments in rural and urban communities. [2306.6701]

(c) **Allocation Goals.** It shall be the goal of this Department and the Board, through these provisions, to encourage diversity through broad geographic allocation of tax credits within the state, and in accordance with the regional allocation formula, and to promote maximum utilization of the available tax credit amount. The processes and criteria utilized to realize this goal are described in §§~~50.~~49.8 and ~~50.~~49.9 of this title, without in any way limiting the effect or applicability of all other provisions of this title.

§~~50.~~49.2. Coordination with Rural Agencies.

To assure maximum utilization and optimum geographic distribution of tax credits in rural areas, and to achieve increased sharing of information, reduction of processing procedures, and fulfillment of Development compliance requirements in rural areas, the Department has entered into a Memorandum of Understanding (MOU) with the TX-USDA-RHS to coordinate on existing, rehabilitated, and new construction housing Developments financed by TX-USDA-RHS; and will jointly administer the Rural Regional Allocation with the Texas Office of Rural Community Affairs (ORCA). ORCA will assist in developing all Threshold, Selection and Underwriting Criteria applied to Applications eligible for the Rural Regional Allocation. The Criteria will be approved by that Agency. To ensure that the Rural Regional Allocation receives a sufficient volume of eligible Applications, the Department and ORCA shall jointly implement outreach, training, and rural area capacity building efforts. [2306.6723]

§~~50.~~49.3. Definitions.

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) **Administrative Deficiencies** - The absence of information or a document from the Application which is important to a review and scoring of the Application as~~and~~ is required under §§~~50.~~49.8(d) and ~~50.~~49.9(e), (f) and (g) of this title.

(2) **Affiliate** - An individual, corporation, partnership, joint venture, limited liability company, trust, estate, association, cooperative or other organization or entity of any nature whatsoever that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with any other Person, and specifically shall include parents or subsidiaries. Affiliates also include all General Partners, Special Limited Partners and Principals with at least a 10% ownership interest.

(3) **Agreement and Election Statement** - A document in which the Development Owner elects, irrevocably, to fix the Applicable Percentage with respect to a building or buildings, as that in effect for the month in which the Department and the Development Owner enter into a binding agreement as to the housing credit dollar amount to be allocated to such building or buildings.

(4) **Applicable Fraction** - The fraction used to determine the Qualified Basis of the qualified low income building, which is the smaller of the Unit fraction or the floor space fraction, all determined as provided in the Code, §42(c)(1).

(5) **Applicable Percentage** - The percentage used to determine the amount of the Housing Tax Credit, as defined more fully in the Code, §42(b).

(A) For purposes of the Application, the Applicable Percentage will be projected at 10 basis points above the greater of:

(i) the current applicable percentage for the month in which the Application is submitted to the Department, or

(ii) the trailing 1-year, 2-year or 3-year average rate in effect during the month in which the Application is submitted to the Department.

(B) For purposes of making a credit recommendation at any other time, the Applicable Percentage will be based in order of priority on:

(i) The percentage indicated in the Agreement and Election Statement, if executed; or

(ii) The actual applicable percentage as determined by the Code, §42(b), if all or part of the Development has been placed in service and for any buildings not placed in service the percentage will be the actual percentage as determined by Code, §42(b) for the most current month; or

(iii) The percentage as calculated in subparagraph (A) of this paragraph if the Agreement and Election Statement has not been executed and no buildings have been placed in service.

(6) **Applicant** - Any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation. [2306.6702]

(7) **Application** - An application, in the form prescribed by the Department, filed with the Department by an Applicant, including any exhibits or other supporting material. [2306.6702]

(8) **Application Acceptance Period** - That period of time during which Applications for a Housing Credit Allocation from the State Housing Credit Ceiling may be submitted to the Department as more fully described in §§~~50.~~49.9(a) and ~~50.~~49.21~~22~~ of this title. For Tax Exempt Bond Developments this period is that period of time prior to the deadline stated in §~~50.~~49.12 of this title.

(9) **Application Round** - The period beginning on the date the Department begins accepting Applications for the State Housing Credit Ceiling and continuing until all available Housing Tax Credits from the State Housing Credit Ceiling (as stipulated by the Department) are allocated, but not extending past the last day of the calendar year. [2306.6702]

(10) **Application Submission Procedures Manual** - The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for the filing of Pre-Applications and Applications for Housing Tax Credits.

(11) **Area Median Gross Income (AMGI)** – Area median gross household income, as determined for all purposes under and in accordance with the requirements of the Code, §42.

(12) **At-Risk Development** – a Development that:

(A) has received the benefit of a subsidy in the form of a below-market interest rate loan, interest rate reduction, ~~equity incentive,~~ rental subsidy, Section 8 housing assistance payment, rental supplement payment, rental assistance payment, or equity incentive under the following federal laws, as applicable:

(i) Sections 221(d)(3), (4) and (5), National Housing Act (12 U.S.C. Section 17151~~l~~);

(ii) Section 236, National Housing Act (12 U.S.C. Section 1715z-1);

(iii) Section 202, Housing Act of 1959 (12 U.S.C. Section 1701q);

(iv) Section 101, Housing and Urban Development Act of 1965 (12 U.S.C. Section 1701s);

(v) any project-based assistance authority pursuant to Section 8 of the U.S. Housing Act of 1937;

(vi) Sections 514, 515, 516, and 538 Housing Act of 1949 (42 U.S.C. Sections 1484, 1485, and 1486); and

(vii) Section 42, of the Internal Revenue Code of 1986 (26 U.S.C. Section 42), and

(B) is subject to the following conditions:

(i) the stipulation to maintain affordability in the contract granting the subsidy is nearing expiration (expiration will occur within two calendar years of July 31 of the year the Application is submitted); or

(ii) the federally insured mortgage on the Development is eligible for prepayment or is nearing the end of its mortgage term (the term will end within two calendar years of July 31 of the year the Application is submitted).

(C) An Application for a Development that includes the demolition of the existing Units which have received the financial benefit described in subparagraph (A) of this paragraph will not qualify as an At-Risk Development unless the redevelopment will include the same site, except that a Housing Authority proposing reconstruction of public housing, supplemented with HOPE VI funding or funding from their capital grant fund, will be qualified as an At-Risk Development if it meets the requirements described in §~~50.~~49.7(b)(2)~~(3)~~ of this title. ~~Redevelopment of any type must include the same site as the original development to qualify in this set-aside.~~

(D) With the exception of Housing Authorities proposing reconstruction of public housing, supplemented with HOPE VI funding or funding from their capital grant fund, Developments must be at risk of losing all affordability on the site. However, Developments that have an opportunity to retain or renew any of the financial benefit described in subparagraph (A) of this paragraph must retain or renew all possible financial benefit to qualify as an At-Risk Development. [2306.6702]

(13) **Bedroom** – A portion of a Unit set aside for sleeping which is no less than 100 square feet; has no width or length less than 8 feet; has at least one window that provides exterior access; and has at least one closet that is not less than 2 feet deep and 3 feet wide and high enough to accommodate 5 feet of hanging space.

(14) **Board** - The governing Board of the Department. [2306.004]

(15) **Carryover Allocation** - An allocation of current year tax credit authority by the Department pursuant to the provisions of the Code, §42(h)(1)(E) and Treasury Regulations, §1.42-6.

(16) **Carryover Allocation Document** - A document issued by the Department, and executed by the Development Owner, pursuant to §~~50.~~49.14 of this title.

(17) **Carryover Allocation Procedures Manual** - The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for filing Carryover Allocation requests.

(18) **Code** - The Internal Revenue Code of 1986, as amended from time to time, together with any applicable regulations, rules, rulings, revenue procedures, information statements or other official pronouncements issued thereunder by the United States Department of the Treasury or the Internal Revenue Service.

(19) **Colonia** – A geographic area located in a county some part of which is within 150 miles of the international border of this state and that:

(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Water Code; or

(B) has the physical and economic characteristics of a colonia, as determined by the Texas Water Development Board.

(20) **Commitment Notice** - A notice issued by the Department to a Development Owner pursuant to §~~50.~~49.13 of this title and also referred to as the "commitment."

(21) **Compliance Period** - With respect to a building, the period of 15 taxable years, beginning with the first taxable year of the Credit Period pursuant to the Code, §42(i)(1), unless the LURA has been extended consistent with §49.9(g)(16).

(22) **Control** - (including the terms "Controlling," "Controlled by", and/or "under common Control with") the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of any Person, whether through the ownership of voting securities, by contract or otherwise, including specifically ownership of more than 50% of the General Partner interest in a limited partnership, or designation as a managing General Partner of a limited liability company.

(23) **Cost Certification Procedures Manual** - The manual produced and amended from time to time by the Department which sets forth procedures, forms, and guidelines for filing requests for IRS Form(s) 8609 for Developments placed in service under the Housing Tax Credit Program.

(24) **Credit Period** - With respect to a building within a Development, the period of ten taxable years beginning with the taxable year the building is placed in service or, at the election of the Development Owner, the succeeding taxable year, as more fully defined in the Code, §42(f)(1).

(25) **Department** – The Texas Department of Housing and Community Affairs, an agency of the State of Texas, established by Chapter 2306, Texas Government Code, including Department employees and/or the Board. [2306.004]

(26) **Determination Notice** - A notice issued by the Department to the Development Owner of a Tax Exempt Bond Development which states that the Development may be eligible to claim Housing Tax Credits without receiving an allocation of Housing Tax Credits from the State Housing Credit Ceiling because it satisfies the requirements of this QAP; sets forth conditions which must be met by the Development before the Department will issue the IRS Form(s) 8609 to the Development Owner; and specifies the Department's determination as to the amount of tax credits necessary for the financial feasibility of the Development and its viability as a rent restricted Development throughout the affordability period.

(27) **Developer** – Any Person entering into a contract with the Development Owner to provide development services with respect to the Development and receiving a fee for such services (which fee cannot exceed 15% of the Eligible Basis) and any other Person receiving any portion of such fee, whether by subcontract or otherwise.

(28) **Development** – A proposed qualified low income housing project, for new construction or rehabilitation, as defined by the Code, §42(g), that consists of one or more buildings containing multiple Units, and that, if the Development shall consist of multiple buildings, is financed under a common plan and is owned by the same Person for federal tax purposes, and the buildings of which are either:

(A) located on a single site or contiguous site; or

(B) located on scattered sites and contain only rent-restricted units. [2306.6702]

(29) **Development Consultant** - Any Person (with or without ownership interest in the Development) who provides professional services relating to the filing of an Application, Carryover Allocation Document, and/or cost certification documents.

(30) **Development Owner** – Any Person, General Partner, or Affiliate of a Person who owns or proposes a Development or expects to acquire Control of a Development under a purchase contract approved by the Department. [2306.6702]

(31) **Development Team** - All Persons or Affiliates thereof that play a role in the development, construction, rehabilitation, management and/or continuing operation of the subject Property, which will include any Development Consultant and Guarantor.

(32) **Economically Distressed Area** – Consistent with §17.921 of Texas Water Code, an area in which:

(A) water supply or sewer services are inadequate to meet minimal needs of residential users as defined by Texas Water Development Board rules;

(B) financial resources are inadequate to provide water supply or sewer services that will satisfy those needs; and

(C) an established residential subdivision was located on June 1, 1989, as determined by the Texas Water Development Board.

(33) **Eligible Basis** - With respect to a building within a Development, the building's Eligible Basis as defined in the Code, §42(d).

(34) **Executive Award and Review Advisory Committee** ("The Committee") – A Departmental committee that will make funding and commitment recommendations to the Board based upon the evaluation of an Application in accordance with the housing priorities as set forth in Chapter 2306 of the Texas Government Code, and as set forth herein, and the ability of an Applicant to meet those priorities. [2306.6702]

(35) **Extended Housing Commitment** - An agreement between the Department, the Development Owner and all successors in interest to the Development Owner concerning the extended housing use of buildings within the Development throughout the extended use period as provided in the Code, §42(h)(6). The Extended Housing Commitment with respect to a Development is expressed in the LURA applicable to the Development.

(36) **General Contractor** - One who contracts for the construction or rehabilitation of an entire Development, rather than a portion of the work. The General Contractor hires subcontractors, such as plumbing contractors, electrical contractors, etc., coordinates all work, and is responsible for payment to the subcontractors. This party may also be referred to as the "contractor."

(37) **General Partner** – That partner, or collective of partners, identified as the general partner of the partnership that is the Development Owner and that has general liability for the partnership. In addition, unless the context shall clearly indicate the contrary, if the Development Owner in question is a limited liability company, the term "General Partner" shall also mean the managing member or other party with management responsibility for the limited liability company.

(38) **Governmental Entity** - Includes federal or state agencies, departments, boards, bureaus, commissions, authorities, and political subdivisions, special districts and other similar entities.

(39) Guarantor – Means any Person that provides, or is anticipated to provide, a guaranty for the equity or debt financing for the Development.

(40) **Historic Development** – A residential Development that has received a historic property designation by a federal, state or local government entity.

(41) **Historically Underutilized Businesses (HUB)** – Any entity defined as a historically underutilized business with its principal place of business in the State of Texas in accordance with Chapter 2161, Texas Government Code.

(42) **Housing Credit Agency** - A Governmental Entity charged with the responsibility of allocating Housing Tax Credits pursuant to the Code, §42. For the purposes of this title, the Department is the sole "Housing Credit Agency" of the State of Texas.

(43) **Housing Credit Allocation** - An allocation by the Department to a Development Owner of Housing Tax Credit in accordance with the provisions of this title.

(44) **Housing Credit Allocation Amount** - With respect to a Development or a building within a Development, that amount the Department determines to be necessary for the financial feasibility of the Development and its viability as a Development throughout the affordability period and which it allocates to the Development.

(45) **Housing Tax Credit** ("tax credits") – A tax credit allocated, or for which a Development may qualify, under the Housing Tax Credit Program, pursuant to the Code, §42. [2306.6702]

(46) **HUD** - The United States Department of Housing and Urban Development, or its successor.

(47) **Ineligible Building Types** - Those Developments which are ineligible, pursuant to this QAP, for funding under the Housing Tax Credit Program, as follows:

(A) Hospitals, nursing homes, trailer parks, dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (other than certain specific types of transitional housing for the homeless and single room occupancy units, as provided in the Code, §§42(i)(3)(B)(iii) and (iv)) are not eligible. However, structures formerly used as hospitals, nursing homes or dormitories are eligible for Housing Tax Credits if the Development involves the conversion of the building to a non-transient multifamily residential development.

(B) Any Qualified Elderly Development of two stories or more that does not include elevator service for any Units or living space above the first floor.

(C) Any Qualified Elderly Development with any Units having more than two bedrooms.

(D) Any Development with building(s) with four or more stories that does not include an elevator.

(E) Any Development proposing new construction, other than a Development (new construction or rehabilitation) composed entirely of single-family dwellings, having any Units with four or more bedrooms.

(F) Any Development that violates the Integrated Housing Policy of the Department.

(G) Any Development involving any new construction of additional Units (other than a Qualified Elderly Development, a single family development or a transitional housing development) in which any of the designs in clauses (i) through (iii) of this subparagraph are proposed. For purposes of this limitation, a den, study or other similar space that could reasonably function as a bedroom will be considered a bedroom.

(i) more than 60% of the total Units are one bedroom Units; or

(ii) more than 45% of the total Units are two bedroom Units; or

(iii) more than 35% of the total Units are three bedroom Units.

(48) **IRS** - The Internal Revenue Service, or its successor.

(49) **Land Use Restriction Agreement** (LURA) - An agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest, that encumbers the Development with respect to the requirements of this chapter, Chapter 2306, Texas Government Code, and the requirements of the Code, §42. [2306.6702]

(50) **Material Non-Compliance** ~~-~~ As defined in 10 TAC Section 60.1. ~~A property located within the state of Texas will be classified by the Department as being in material non-compliance status if the non-compliance score for such property is equal to or exceeds 30 points in accordance with the provisions of §50.5(b)(3) of this title and under the methodology and point system set forth in Chapter 60 of this title, to be proposed. A property located outside the state of Texas will be classified by the Department as being in Material Non-compliance status if the non-compliance score for such property is equal to or exceeds 30 points in accordance with the provisions of §50.5(b)(4) of this title and under the methodology and point system set forth in Chapter 60 of this title, to be proposed.~~

(51) **Minority Owned Business** - A business entity at least 51% of which is owned by members of a minority group or, in the case of a corporation, at least 51% of the shares of which are owned by members of a minority group, and that is managed and Controlled by members of a minority group in its daily operations. Minority group includes women, African Americans, American Indians, Asian Americans, and Mexican Americans and other Americans of Hispanic origin. [2306.6734]

(52) **ORCA** – Office of Rural Community Affairs, as established by Chapter 487 of Texas Government Code. [2306.6702]

(53) **Person** - Means, without limitation, any natural person, corporation, partnership, limited partnership, joint venture, limited liability company, trust, estate, association, cooperative, government, political subdivision, agency or instrumentality or other organization or entity of any nature whatsoever and shall include any group of Persons acting in concert toward a common goal, including the individual members of the group.

(54) **Persons with Disabilities** - A person who:

(A) has a physical, mental or emotional impairment that:

(i) is expected to be of a long, continued and indefinite duration,

(ii) substantially impedes his or her ability to live independently, and

(iii) is of such a nature that the disability could be improved by more suitable housing conditions,

(B) has a developmental disability, as defined in the Developmental Disabilities Assistance and Bill of Rights Act (42 U.S.C. Section 15002),or

(C) has a disability, as defined in 24 CFR §5.403.

(55) **Pre-Application** – A preliminary application, in a form prescribed by the Department, filed with the Department by an Applicant prior to submission of the Application, including any required exhibits or other supporting material, as more fully described in §§~~50.~~49.8 and ~~50.~~49.21~~22~~ of this title.

(56) **Pre-Application Acceptance Period** - That period of time during which Pre-Applications for a Housing Credit Allocation from the State Housing Credit Ceiling may be submitted to the Department.

(57) **Principal** – the term Principal is defined as Persons that will exercise Control over a partnership, corporation, limited liability company, trust, or any other private entity. In the case of:

(A) partnerships, Principals include all General Partners and Special LP and Principals with at least 10% ownership interest ;

(B) corporations, Principals include any officer authorized by the board of directors to act on behalf of the corporation, including the president, vice president, secretary, treasurer and all other executive officers, and each stock holder having a ten percent or more interest in the corporation; and

(C) limited liability companies, Principals include all managing members, members having a ten percent or more interest in the limited liability company or any officer authorized to act on behalf of the limited liability company.

(58) **Prison Community** – A city or town which is located outside of a Metropolitan Statistical Area (MSA) or Primary Metropolitan Statistical Area (PMSA) and was awarded a state prison within the past five years.

(59) **Property** - The real estate and all improvements thereon which are the subject of the Application (including all items of personal property affixed or related thereto), whether currently existing or proposed to be built thereon in connection with the Application.

(60) **Qualified Allocation Plan (QAP)** –

(A) As defined in §42(m)(1)(B): Any plan which sets forth selection criteria to be used to determine housing priorities of the housing credit agency which are appropriate to local conditions; which also gives preference in allocating housing credit dollar amounts among selected projects to projects serving the lowest income tenants, projects obligated to serve qualified tenants for the longest periods, and projects which are located in qualified census tracts and the development of which contributes to a concerted community revitalization plan; and which provides a procedure that the agency (or an agent or other private contractor of such agency) will follow in monitoring for noncompliance with the provisions of §42 and in notifying the Internal Revenue Service of such noncompliance which such agency becomes aware of and in monitoring for noncompliance with habitability standards through regular site visits.

(B) As defined in Section 2306.6702, Texas Government Code: A plan adopted by the board under this subchapter that provides the threshold, scoring, and underwriting criteria based on housing priorities of the department that are appropriate to local conditions; provides a procedure for the department, the department's agent, or another private contractor of the department to use in monitoring compliance with the qualified allocation plan and this subchapter; and consistent with Section 2306.6710(e), gives preference in housing tax credit allocations to developments that, as compared to the other developments:

(i) when practicable and feasible based on documented, committed, and available third-party funding sources, serve the lowest income tenants per housing tax credit; and

(ii) produce for the longest economically feasible period the greatest number of high quality units committed to remaining affordable to any tenants who are income-eligible under the low income housing tax credit program.

~~(60) **Qualified Allocation Plan** (QAP) – [2306.6702] A plan adopted by the Board, and approved by the Governor, under this title, and as provided in the Code, § 42(m)(1) and as further provided in §§50.49.1 through 50.49.24 of this title, that:~~

~~(A) provides the threshold and scoring, and underwriting process based on housing priorities of the Department that are appropriate to local conditions; and~~

~~(B) consistent with 2306.6710(e), Texas Government Code, gives preference in Housing Credit Allocations to Developments that, as compared to other Developments:~~

~~(i) when practicable and feasible based on documented, committed, and available Third-Party funding sources, serve the lowest income tenants per housing tax credit; and~~

~~(ii) produce for the longest economically feasible period the greatest number of high quality Units committed to remaining affordable to any tenants who are income-eligible under the Housing Tax Credit Program; and~~

~~(C) provides a procedure for the Department, the Department's agent, or private contractor of the Department to use in monitoring compliance with the Qualified Allocation Plan, notifying the IRS of noncompliance, and monitoring for noncompliance with habitability standards through regular site visits.~~

(61) **Qualified Basis** - With respect to a building within a Development, the building's Eligible Basis multiplied by the Applicable Fraction, within the meaning of the Code, §42(c)(1).

(62) **Qualified Census Tract** - Any census tract which is so designated by the Secretary of HUD in accordance with the Code, §42(d)(5)(C)(ii).

(63) **Qualified Elderly Development** – A Development which meets the requirements of the federal Fair Housing Act and:

(A) is intended for, and solely occupied by, individuals 62 years of age or older; or

(B) is intended and operated for occupancy by at least one individual 55 years of age or older per Unit, where at least 80% of the total housing Units are occupied by at least one individual who is 55 years of age or older; and where the Development Owner publishes and adheres to policies and procedures which demonstrate an intent by the owner and manager to provide housing for individuals 55 years of age or older. (See 42 U.S.C. Section 3607(b)).

(64) **Qualified Market Analyst -** A real estate appraiser certified or licensed by the Texas Appraiser or Licensing and Certification Board or a real estate consultant or other professional currently active in the subject property's market area who demonstrates competency, expertise, and the ability to render a high quality written report. The individual's performance, experience, and educational background will provide the general basis for determining competency as a Market Analyst. Competency will be determined by the Department, in its sole discretion. The Qualified Market Analyst must be a Third Party.

(65) **Qualified Nonprofit Organization -** An organization that is described in the Code, §501(c)(3) or (4), as these cited provisions may be amended from time to time, that is exempt from federal income taxation under the Code, §501(a), that is not affiliated with or Controlled by a for profit organization, and includes as one of its exempt purposes the fostering of low income housing within the meaning of the Code, §42(h)(5)(C). A Qualified Nonprofit Organization may select to compete in one or more of the Set-Asides, including, but not limited to, the nonprofit Set-Aside, the At-Risk Development Set-Aside and the TX-USDA-RHS Allocation~~Set-Aside~~.

(66) **Qualified Nonprofit Development -** A Development in which a Qualified Nonprofit Organization (directly or through a partnership or wholly-owned subsidiary) holds a controlling interest, materially participates (within the meaning of the Code, §469(h), as it may be amended from time to time) in its development and operation throughout the Compliance Period, and otherwise meets the requirements of the Code, §42(h)(5). [2306.6729]

(67) **Reference Manual -** That certain manual, and any amendments thereto, produced by the Department which sets forth reference material pertaining to the Housing Tax Credit Program.

(68) **Related Party** – As defined,

(A) The following individuals or entities:

(i) the brothers, sisters, spouse, ancestors, and descendants of a person within the third degree of consanguinity, as determined by Chapter 573, Texas Government Code;

(ii) a person and a corporation, if the person owns more than 50 percent of the outstanding stock of the corporation;

(iii) two or more corporations that are connected through stock ownership with a common parent possessing more than 50 percent of:

(I) the total combined voting power of all classes of stock of each of the corporations that can vote;

(II) the total value of shares of all classes of stock of each of the corporations; or

(III) the total value of shares of all classes of stock of at least one of the corporations, excluding, in computing that voting power or value, stock owned directly by the other corporation;

(iv) a grantor and fiduciary of any trust;

(v) a fiduciary of one trust and a fiduciary of another trust, if the same person is a grantor of both trusts;

(vi) a fiduciary of a trust and a beneficiary of the trust;

(vii) a fiduciary of a trust and a corporation if more than 50 percent of the outstanding stock of the corporation is owned by or for:

(I) the trust; or

(II) a person who is a grantor of the trust;

(viii) a person or organization and an organization that is tax-exempt under the Code, §501(a), and that is controlled by that person or the person's family members or by that organization;

(ix) a corporation and a partnership or joint venture if the same persons own more than:

(I) 50 percent of the outstanding stock of the corporation; and

(II) 50 percent of the capital interest or the profits' interest in the partnership or joint venture;

(x) an S corporation and another S corporation if the same persons own more than 50 percent of the outstanding stock of each corporation;

(xi) an S corporation and a C corporation if the same persons own more than 50 percent of the outstanding stock of each corporation;

(xii) a partnership and a person or organization owning more than 50 percent of the capital interest or the profits' interest in that partnership; or

(xiii) two partnerships, if the same person or organization owns more than 50 percent of the capital interests or profits' interests.

Nothing in this definition is intended to constitute the Department's determination as to what relationship might cause entities to be considered "related" for various purposes under the Code.

(69) **Rules** - The Department's Housing Tax Credit Qualified Allocation Plan and Rules as presented in this title.

(70) **Rural Area** – An area that is located:

(A) outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area;

(B) within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 20,000 or less and does not share a boundary with an urban area; or

(C) in an area that is eligible for new construction or rehabilitation funding by TX-USDA-RHS. [2306.6702]

(71) **Rural Development** - A Development located within a Rural Area and for which the Applicant applies for tax credits under the Rural Regional Allocation.

(72) **Selection Criteria** - Criteria used to determine housing priorities of the State under the Housing Tax Credit Program as specifically defined in §~~50.~~49.9(g) of this title.

(73) **Set-Aside** – A reservation of a portion of the available Housing Tax Credits to provide financial support for specific types of ~~housing or geographic locations or serve specific types of~~Applications or Applicants as required~~permitted~~ by the Qualified Allocation Plan on a priority basis. [2306.6702]

(74) **State Housing Credit Ceiling** - The limitation imposed by the Code, §42(h), on the aggregate amount of Housing Credit Allocations that may be made by the Department during any calendar year, as determined from time to time by the Department in accordance with the Code, §42(h)(3).

(75) **Student Eligibility** - Per the Code, §42(i)(3)(D), "A unit shall not fail to be treated as a low-income unit merely because it is occupied:

(A) by an individual who is:

(i) a student and receiving assistance under Title IV of the Social Security Act (42 U.S.C. §§ 601 et seq.), or

(ii) enrolled in a job training program receiving assistance under the Job Training Partnership Act (29 USCS §§ 1501 et seq., generally; for full classification, consult USCS Tables volumes) or under other similar Federal, State, or local laws, or

(B) entirely by full-time students if such students are:

(i) single parents and their children and such parents and children are not dependents (as defined in section 152) of another individual, or

(ii) married and file a joint return."

(76) **Tax Exempt Bond Development** - A Development which receives a portion of its financing from the proceeds of tax exempt bonds which are subject to the state volume cap as described in the Code, §42(h)(4), such that the Development does not receive an allocation of tax credit authority from the State Housing Credit Ceiling.

(77) **Third Party** – A Third Party is a Person who is not an:

(A) Applicant, General Partner, Developer, or General Contractor, or

(B) an Affiliate or a Related Party to the Applicant, General Partner, Developer or General Contractor, or

(C) Person(s) receiving any portion of the contractor fee or developer fee.

(78) **Threshold Criteria** - Criteria used to determine whether the Development satisfies the minimum level of acceptability for consideration as specifically defined in §~~50.~~49.9(f) of this title. [2306.6702]

(79) **Total Housing Development Cost** - The total of all costs incurred or to be incurred by the Development Owner in acquiring, constructing, rehabilitating and financing a Development, as determined by the Department based on the information contained in the Application. Such costs include reserves and any expenses attributable to commercial areas. Costs associated with the sale or use of Housing Tax Credits to raise equity capital shall also be included in the Total Housing Development Cost. Such costs include but are not limited to syndication and partnership organization costs and fees, filing fees, broker commissions, related attorney and accounting fees, appraisal, engineering, and the environmental site assessment.

(80) **TX-USDA-RHS** - The Rural Housing Services (RHS) of the United States Department of Agriculture (USDA) serving the State of Texas (formerly known as TxFmHA) or its successor.

(81) **Unit** - Any residential rental unit in a Development consisting of an accommodation including a single room used as an accommodation on a non-transient basis, that contains complete physical facilities and fixtures for living, sleeping, eating, cooking and sanitation. [2306.6702]

(82) Urban/Exurban Area- All those areas in the state of Texas not meeting the qualifications for a Rural Area as defined in paragraph (70) of this section.

§~~50.~~49.4. State Housing Credit Ceiling.

The Department shall determine the State Housing Credit Ceiling for each calendar year as provided in the Code, §42(h)(3)(C), using such information and guidance as may be made available by the Internal Revenue Service. The Department shall publish each such determination in the *Texas Register* within 30 days after the receipt of such information as is required for that purpose by the Internal Revenue Service. The aggregate amount of commitments of Housing Credit Allocations made by the Department during any calendar year shall not exceed the State Housing Credit Ceiling for such year as provided in the Code, §42. Housing Credit Allocations made to Tax Exempt Bond Developments are not included in the State Housing Credit Ceiling.

§~~50.~~49.5. Ineligibility, Disqualification and Debarment, Applicant Standards, Representation by Former Board Member or Other Person.

(a) **Ineligibility.** An Application will be ineligible if:

(1) The Applicant, Development Owner, Developer or Guarantor has been or is barred, suspended, or terminated from procurement in a state or federal program or listed in the List of Parties Excluded from Federal Procurement or Non-Procurement Programs; or,

(2) The Applicant, Development Owner, Developer or Guarantor has been convicted of a state or federal crime involving fraud, bribery, theft, misrepresentation~~s~~ of material fact~~s~~, misappropriation of funds, or other similar criminal offenses within fifteen years preceding the Application deadline; or,

(3) The Applicant, Development Owner, Developer or Guarantor at the time of Application is: subject to an enforcement or disciplinary action under state or federal securities law or by the NASD; is subject to a federal tax lien; or is the subject of an enforcement proceeding with any Governmental Entity; or

(4) The Applicant, Development Owner, Developer or Guarantor with any past due audits has not submitted those past due audits to the Department in a satisfactory format on or before the close of the Application Acceptance Period. A Person is not eligible to receive a commitment of Housing Tax Credits from the Department if any audit finding or questioned or disallowed cost is unresolved as of June 1 of each year, or for Tax Exempt Bond Developments is unresolved as of the date the Application is submitted; or

(5) [2306.6703~~ as amended~~] At the time of Application or at any time during the two-year period preceding the date the Application Round begins (or for Tax Exempt Bond Developments any time during the two-year period preceding the date the Application is submitted to the Department), the Applicant or a Related Party is or has been:

(A) a member of the Board; or

(B) the Executive Director, a Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Portfolio Management and Compliance, the Director of Real Estate Analysis, or a manager over housing tax credits employed by the Department.

(6) [2306.6703] The Applicant proposes to replace in less than 15 years any private activity bond financing of the Development described by the Application, unless:

(A) the Applicant proposes to maintain for a period of 30 years or more 100 percent of the Development Units supported by Housing Tax Credits as rent-restricted and exclusively for occupancy by individuals and families earning not more than 50 percent of the Area Median Gross Income, adjusted for family size; and

(B) at least one-third of all the units in the Development are public housing units or Section 8 Development-based units; or,

(7) The Development is located in a municipality or, if located outside a municipality, a county, that has more than twice the state average of units per capita supported by Housing Tax Credits or private activity bonds at the time the Application Round begins (or for Tax Exempt Bond Developments at the time the reservation is made by the Texas Bond Review Board) unless the Applicant:

(A) has obtained prior approval of the Development from the governing body of the appropriate municipality or county containing the Development in the form of a resolution; and

(B) has included in the Application a written statement of support from that governing body referencing this rule and authorizing an allocation of housing tax credits for the Development;

(C) For purposes of this paragraph, evidence under subparagraphs (A) and (B) must be received by the Department no later than April 1, 2005 (or for Tax Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be considered);or

(8) The Applicant proposes to construct a new Development that is located one linear mile (measured by a straight line on a map) or less from a Development that:

(A) serves the same type of household as the new Development, regardless of whether the Developments serve families, elderly individuals, or another type of household;

(B) has received an allocation of Housing Tax Credits (including Tax Exempt Bond Developments) for new construction at any time during the three-year period preceding the date the application round begins (or for Tax Exempt Bond Developments the three-year period preceding the date the Volume I is submitted); and

(C) has not been withdrawn or terminated from the Housing Tax Credit Program.

(D) An Application is not ineligible under this paragraph if:

(i) the Development is using federal HOPE VI funds received through the United States Department of Housing and Urban Development; locally approved funds received from a public improvement district or a tax increment financing district; funds provided to the state under the Cranston-Gonzalez National Affordable Housing Act (42 U.S.C. Section 12701 et seq.); or funds provided to the state and participating jurisdictions under the Housing and Community Development Act of 1974 (42 U.S.C. Section 5301 et seq.); or

(ii) the Development is located in a county with a population of less than one million; or

(iii) the Development is located outside of a metropolitan statistical area; or

(iv) the local government where the Development is to be located has by vote specifically allowed the construction of a new Development located within one linear mile or less from a Development described under subparagraphs (A) through (C) of this paragraph. For purposes of this clause, evidence of the local government vote must be received by the Department no later than April 1, 2005 (or for Tax Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be committed). [2306.6703]

(E) In determining the age of an existing development as it relates to the application of the three-year period, the development will be considered from the date the Board took action on approving the allocation of tax credits. For example, a Development whose credits were approved by the Board on March 15, 2002, could not have a new Development located within one mile until March 16, 2005. In dealing with ties between two or more Developments as it relates to this rule, refer to §~~50.~~49.9(h).

(b) **Disqualification and Debarment.** The Department will disqualify an Application, and/or debar a Person (see 2306.6721, Texas Government Code), if it is determined by the Department that any~~those~~ issues identified in the paragraphs ~~(1) through (6)~~ of this subsection exist. The Department shall debar a Person for no shorter period than the longer of~~,~~ one year from the date of debarment, or until the violation causing the debarment has been remedied. If the Department determines the facts warrant it, a Person may be debarred for up to fifteen years. Causes for disqualification and debarment include: [2306.6721]

(1) The provision of fraudulent information, knowingly false documentation, or other intentional or negligent material misrepresentation in the Application or other information submitted to the Department at any stage of the evaluation or approval process; or,

(2) The submission of an Application that has an entire Volume of the application missing; that has excessive omissions of documentation from the Threshold Criteria or Uniform Application documentation; or that is so unclear, disjointed or incomplete that a thorough review can not reasonably be performed by the Department; or

~~(2) at the time of Application or at any time during the two-year period preceding the date the application round begins (or for Tax Exempt Bond Developments any time during the two-year period preceding the date the Application is submitted to the Department), the Applicant or a Related Party is or has been:~~

~~(A) a member of the Board; or~~

~~(B) the executive director, the deputy executive director for programs, the deputy executive director for housing operations, the director of multifamily finance production, the director of portfolio management and compliance or the director of real estate analysis employed by the Department.~~

(3) The Applicant, Development Owner, Developer or Guarantor or anyone that has 10% or more ownership interest in the Development Owner, Developer or Guarantor that is active in the ownership or Control of one or more other rent restricted rental housing properties in the state of Texas administered~~funded~~ by the Department is in Material Non-Compliance with the LURA (or any other document containing an Extended Housing Commitment) or the program rules in effect for such property as further described in 10 TAC Section 60.1; or ~~on the date the Application Round closes or upon the date of filing Volume I of the Application for a Tax Exempt Bond Development, and such Material-Noncompliance is not corrected as provided herein. Any corrective action documentation affecting the Material Non-Compliance status score for Applicants competing in the 2004 Application Round must be received by the Department no later than 30 days prior to the close of the Application Acceptance Period, and any corrective action documentation affecting the Material Non-Compliance~~

~~status score for Applicants with a Tax Exempt Bond Development must be received by the Department no later than 30 days prior to the submission of Volumes I and II. The Department may take into consideration the representations of the Applicant regarding compliance violations described in §50.9(f)(9)(C) and (D) of this title; however, the records of the Department are Controlling; or,~~

(4) The Applicant, Development Owner, Developer or Guarantor or anyone that has 10% or more ownership interest in the Development Owner, Developer or Guarantor that is active in the ownership or Control of one or more other rent restricted rental housing properties outside of the state of Texas has an incidence of Material N~~n~~on-C~~c~~ompliance with the LURA or the program rules in effect for such tax credit property as further described in 10 TAC Section 60.1; or ~~as reported on the Uniform Application Previous Participation Certification and/or as determined by the state regulatory authority for such state and such non-compliance is determined to be Material Non-Compliance by the Department using methodology as set forth in Chapter 60 of this title, to be proposed; or,~~

(5) The Applicant, Development Owner, Developer, or any Guarantor, or any Affiliate of such entity has been a Principal of any entity that failed to make all loan payments to the Department in accordance with the original terms of the loan or was otherwise in default with any provisions of any loans from the Department.

(6~~5~~) The Applicant or the Development Owner that is active in the ownership or Control of one or more tax credit properties in the state of Texas has failed to pay in full any fees within 30 days of when they were billed by the Department ~~after the due date has passed~~, as further described in §~~50.~~49.20~~21~~ of this title; or

(7~~6~~) the Applicant or a Related Party and any Person who is active in the construction, rehabilitation, ownership, or Control of the proposed Development, ~~the Development Owner, or the General Contractor, or any Affiliate of the General Contractor that is active in the ownership or Control of the Development, or~~ including a General Partner or contractor, and a Principal or Affiliate of a General Partner or contractor, or an individual employed as a lobbyist by the Applicant or a Related Party, ~~or in another capacity on behalf of the Development,~~ communicates with any Board member ~~with respect to the Development~~ during the period of time ~~starting with the time~~ beginning on the date an Application is filed~~submitted until the~~ and ending on the date ~~time~~ the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application. Communication with Department staff must be in accordance with §~~50.~~49.9(b) of this title; violation of the communication restrictions of §~~50.~~49.9(b) is also a basis for disqualification and/or debarment. [2306.1113]

(8~~7~~) It is determined by the Department's General Counsel that there is evidence that establishes probable cause to believe that an Applicant, Development Owner, Developer, or any of their employees or agents has violated a state revolving door or other standard of conduct or conflict of interest statute, including Section 2306.6733, Texas Government Code, or a section of Chapter 572, Texas Government Code, in making, advancing, or supporting the Application.

(9) Applicants may be ineligible as further described in §49.17(c)(8) of this title.

(c) **Certain Applicant and Development Standards.** Notwithstanding any other provision of this section, the Department may not allocate tax credits to a Development proposed by an Applicant if the Department determines that: [2306.223]

(1) the Development is not necessary to provide needed decent, safe, and sanitary housing at rental prices that individuals or families of low and very low income or families of moderate income can afford;

(2) the Development Owner undertaking the proposed Development will not supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income;

(3) the Development Owner is not financially responsible;

(4) the Development Owner has contracted, or will contract for the proposed Development with, a Developer that:

(A) is on the Department's debarred list, including any parts of that list that are derived from the debarred list of the United States Department of Housing and Urban Development;

(B) has breached a contract with a public agency and failed to cure that breach; or

(C) misrepresented to a subcontractor the extent to which the Developer has benefited from contracts or financial assistance that has been awarded by a public agency, including the scope of the Developer's participation in contracts with the agency and the amount of financial assistance awarded to the Developer by the agency;

(5) the financing of the housing Development is not a public purpose and will not provide a public benefit; and

(6) the Development will be undertaken outside the authority granted by this chapter to the Department and the Development Owner. (See 2306.223, Texas Government Code).

(d) **Representation by Former Board Member or Other Person.** [2306.6733]

(1) A former Board member or a former executive director, deputy executive director, director of multifamily finance production, director of portfolio management and compliance, director of real estate analysis or manager over housing tax credits previously employed by the Department may not:

(A) for compensation, represent an Applicant or one of its Related Parties for an allocation of tax credits before the second anniversary of the date that the Board member's, director's, or manager's service in office or employment with the Department ceased;

(B) represent any Applicant or a Related Party of an Applicant or receive compensation for services rendered on behalf of any Applicant or Related Party regarding the consideration of an Application in which the former board member, director, or manager participated during the period of service in office or employment with the Department, either through personal involvement or because the matter was within the scope of the board member's, director's, or manager's official responsibility; or for compensation, communicate directly with a member of the legislative branch to influence legislation on behalf of an Applicant or Related Party before the second anniversary of the date that the board member's, director's, or manager's service in office or employment with the Department ceased.

(2) A Person commits an offense if the Person violates this section. An offense under this section is a Class A misdemeanor. (See 2306.6733, Texas Government Code).

(e) **Due Diligence; Sworn Affidavit.** In exercising due diligence in considering information of possible ineligibility, possible grounds for disqualification and debarment, Applicant and Development standards, possible improper representation or compensation, or similar matters, the Department may request a sworn affidavit or affidavits from the Applicant, Development Owner, Developer, Guarantor, or other persons addressing the matter. If an affidavit determined to be sufficient by the Department is not received by the Department within seven business days of the date of the request by the Department, the Department may terminate the Application.

(f) **Appeals and Administrative Deficiencies for Ineligibility, Disqualification and Debarment.** An Applicant or Person found ineligible, disqualified, debarred or otherwise terminated under subsections (a) through (e)~~(d)~~ of this section will ~~first~~ be notified in accordance with the Administrative Deficiency process described in §~~50.~~49.9(d)(4)~~(3)~~ of this title. They may also utilize the appeals process described in §~~50.~~49.17~~18~~(b) of this title.

§~~50.~~49.6. Site and Development Restrictions: Floodplain, Ineligible Building Types, Scattered Site Limitations, Credit Amount, Limitations on the Size of Developments, Rehabilitation Costs.

(a) **Floodplain.** Any Development proposing new construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No buildings or roads~~Developments~~ that are part of a Development proposing rehabilitation, with the exception of developments with federal funding assistance from HUD or TX USDA-RHS, will be permitted in the 100 year floodplain unless they already meet the requirements established in this subsection for new construction.

(b) **Ineligible Building Types**. Applications involving Ineligible Building Types as defined in §~~50.~~49.3(47) of this title will not be considered for allocation of tax credits.

(c) **Scattered Site Limitations.** Consistent with §~~50.~~49.3(28) of this title, a Development must be financed under a common plan, be owned by the same Person for federal tax purposes, and the buildings may be either located on a single site or contiguous site, or be located on scattered sites and contain only rent-restricted units.

(d) **Credit Amount.** The Department shall issue tax credits only in the amount needed for the financial feasibility and viability of a Development throughout the affordability period. The issuance of tax credits or the determination of any allocation amount in no way represents or purports to warrant the feasibility or viability of the Development by the Department, or that the Development will qualify for and be able to claim Housing Tax Credits. The Department will limit the allocation of tax credits to no more than $1.2 million per Development. The Department shall not allocate more than $2 million of tax credits in any given Application Round to any Applicant, Developer, Related Party or Guarantor; Housing Tax Credits approved by the Board during the 2005 calendar year, including commitments from the 2005 Credit Ceiling and forward commitments from the 2006 Credit Ceiling, are applied to the credit cap limitation for the 2005 Application Round. In order to encourage the capacity enhancement of developers in rural areas, the Department will prorate the credit amount allocated in situations where an Application is submitted in the Rural Regional Allocation and the Development has 76 Units or less. To be considered for this provision, a copy of a Joint Venture Agreement and narrative on how this builds the capacity of the inexperienced developers is required. Tax Exempt Bond Development Applications are not subject to these Housing Tax Credit limitations, and Tax Exempt Bond Developments will not count towards the total limit on tax credits per Applicant. The limitation does not apply [2306.6711(b)]:

(1) to an entity which raises or provides equity for one or more Developments, solely with respect to its actions in raising or providing equity for such Developments (including syndication related activities as agent on behalf of investors);

(2) to the provision by an entity of "qualified commercial financing" within the meaning of the Code (without regard to the 80% limitation thereof);

(3) to a Qualified Nonprofit Organization or other not-for-profit entity, to the extent that the participation in a Development by such organization consists only of the provision of loan funds, grants or social services; and

(4) to a Development Consultant with respect to the provision of consulting services, provided the Development Consultant fee received for such services does not exceed 10% of the fee to be paid to the Developer (or 20% for Qualified Nonprofit Developments), or $150,000, whichever is greater.

(e) **Limitations on the Size of Developments.**

(1) The minimum Development size will be 16 Units if the Development involves Housing Tax Credits; the minimum Development size will be 4 Units if the funding source only involves the Housing Trust Fund or HOME Program.

(2) Rural Developments involving new construction will be limited to 96~~76~~ Units.~~ unless the Market Analysis clearly documents that larger developments are consistent with the comparables in the community and that there is significant demand for additional Units.~~ Rural Developments involving only rehabilitation do not have a size limitation.

(3) Developments involving new construction, that are not Tax Exempt Bond Developments, will be limited to 252 ~~250~~ Total Units, wherein the maximum Department administered~~rent restricted~~ Units will be limited to 200 Units. Tax Exempt Bond Developments will be limited to 252 ~~250~~ Total Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions. For those Developments which are a second phase or are otherwise adjacent to an existing tax credit Development unless such proposed Development is being constructed to provide replacement of previously existing affordable multifamily units on its site (in a number not to exceed the original units being replaced) or that were originally located within a one mile radius from the proposed Development, the combined Unit total for the Developments may not exceed the maximum allowable Development size, unless the first phase has been completed and has attained Sustaining Occupancy (as defined in §1.31 of this title) for at least six months.

(f) Limitations on the Location of Developments. Staff will only recommend, and the Board may only allocate, housing tax credits from the Credit Ceiling to more than one Development in the same calendar year if the Developments are, or will be, located more than one linear mile apart as determined by the Department. If the Board forward commits credits from the following year's allocation of credits, the Development is considered to be in the calendar year in which the Board votes, not in the year of the Credit Ceiling. This limitation applies only to communities contained within counties with populations exceeding one million (which for calendar year ~~2004~~ 2005 are Harris, Dallas, Tarrant and Bexar Counties). For purposes of this rule, any two sites not more than one linear mile apart are deemed to be "in a single community." ~~For Tax Exempt Bond Developments, the year of the Development is the calendar year in which the Board approves the housing tax credits for the Development. In dealing with ties between two or more Developments as it relates to this rule, refer to §50.9(h).~~ [2306.6711] This restriction does not apply to the allocation of housing tax credits to Developments financed through the Tax Exempt Bond program. [2306.67021]

(g) **Rehabilitation Costs.** Rehabilitation Developments must establish that the rehabilitation will substantially improve the condition of the housing and will involve at least $6,000 per Unit in direct hard costs.

(h) **Unacceptable Sites**. Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.

§~~50.~~49.7. Regional Allocation Formula, Set-Asides, Redistribution of Credits.

(a) **Regional Allocation Formula.** [2306.111~~(d)~~] As required by 2306.111, Texas Government Code, the Department uses a regional distribution formula developed by the Department to distribute credits from the State Housing Credit Ceiling to all urban/exurban areas and rural areas. The formula is based on the need for housing assistance, and the availability of housing resources in those urban/exurban areas and rural areas, and the Department uses the information contained in the Department's annual state low income housing plan and other appropriate data to develop the formula. This formula establishes separate targeted tax credit amounts for rural areas and urban/exurban areas within each of the Uniform State Service Regions. Each Uniform State Service Region's targeted tax credit amount will be published ~~in the *Texas Register* and~~ on the Department's web site. The regional allocation for rural areas is referred to as the Rural Regional Allocation and the regional allocation for urban/exurban areas is referred to as the Urban/Exurban Regional Allocation. Developments qualifying for the Rural Regional Allocation must meet the Rural Development definition or be located in a Prison Community. Approximately 5% of each region's allocation for each calendar year shall be allocated to Developments which are financed through TX-USDA-RHS and that meet the definition of a Rural Development and do not exceed 76 Units if new construction. These Developments will be attributed to the Rural Regional Allocation in each region where they are located. ~~Developments financed through TX-USDA-RHS's 538 Guaranteed Rural Rental Housing Program will not be considered under this set-aside.~~Commitments of 2005 Housing Tax Credits issued by the Board in 2004 will be applied to each Set-Aside, Rural Regional Allocation, Urban/Exurban Regional Allocation and TX-USDA-RHS Allocation for the 2005 Application Round as appropriate.

(b) **Set-Asides.** An Applicant may elect to compete in as many of the following Set-Asides for which the proposed Development qualifies: [2306.111(d)]

(1) At least 10% of the State Housing Credit Ceiling for each calendar year shall be allocated to Qualified Nonprofit Developments which meet the requirements of the Code, §42(h)(5). Qualified Nonprofit Organizations must have the Controlling interest in the Qualified Nonprofit Development applying for this Set-Aside. If the organization's Application is filed on behalf of a limited partnership, the Qualified Nonprofit Organization must be the controlling managing General Partner. If the organization's Application is filed on behalf of a limited liability company, the Qualified Nonprofit Organization must be the controlling Managing Member. Additionally, a Qualified Nonprofit Development submitting an Application in the nonprofit set-aside must have the nonprofit entity or its nonprofit affiliate or subsidiary be the Developer or a co-Developer as evidenced in the development agreement. [2306.6729 and 2306.6706(b)]

(2) At least 15% of the allocation to each Uniform State Service Region will be set aside for allocation under the At-Risk Development Set-Aside. Through this Set-Aside, the Department, to the extent possible, shall allocate credits to Applications involving the preservation of developments designated as At-Risk Developments as defined in §~~50.~~49.3(12) of this title.~~ and in both urban/exurban and rural communities in approximate proportion to the housing needs of each Uniform State Service Region.~~ [2306.6714]. A Housing Authority proposing reconstruction of public housing supplemented with HOPE VI funding or capital grant funds will be eligible to participate in this set-aside. In order to qualify for this set-aside, the housing authority providing the HOPE VI funding must provide evidence that it received a HOPE VI grant from HUD and made a commitment that HOPE VI funds will be provided to the Development. To qualify as an At-Risk Development, the Applicant (with the exception of housing authorities with HOPE VI or capital grant funds) must provide evidence that it either is not eligible to renew, retain or preserve any portion of the financial benefit described in §~~50.~~49.3(12)(A) of this title, or provide evidence that it will renew, retain or preserve the financial benefit described in §~~50.~~49.3(12)(A) of this title.

(c) **Redistribution of Credits.** [2306.111(d)] If any amount of housing tax credits remain after the initial commitment of housing tax credits among the Rural Regional Allocation and Urban/Exurban Regional Allocation within each Uniform State Service Region and among the Set-Asides, the Department may redistribute the credits amongst the different regions and Set-Asides depending on the quality of Applications submitted as evaluated under the factors described in §~~50.~~49.9(d)~~(c)~~ of this title and the level of demand exhibited in the Uniform State Service Regions during the Allocation Round. However as described in subsection (b)(1) of this section, no more than 90% of the State's Housing Credit Ceiling for the calendar year may go to Developments which are not Qualified Nonprofit Developments. If credits will be transferred from a Uniform State Service Region which does not have enough qualified Applications to meet its regional credit distribution amount, then those credits will be apportioned to the other Uniform State Service Regions.

§~~50.~~49.8. Pre-Application: Submission, Evaluation Process, Threshold Criteria and Review, Results. [2306.6704]

(a) **Pre-Application Submission**. Any Applicant requesting a Housing Credit Allocation may submit a Pre-Application to the Department during the Pre-Application Acceptance Period along with the required Pre-Application Fee as described in §~~50.~~49.20~~21~~ of this title. Only one Pre-Application may be submitted by an Applicant for each site under the State Housing Credit Ceiling. The Pre-Application submission is a voluntary process. While the Pre-Application Acceptance Period is open, Applicants may withdraw their Pre-Application and subsequently file a new Pre-Application utilizing the original Pre-Application Fee that was paid as long as no evaluation was performed by the Department. The Department is authorized to request the Applicant to provide additional information it deems relevant to clarify information contained in the Pre-Application or to submit documentation for items it considers to be Administrative Deficiencies. The rejection of a Pre-Application shall not preclude an Applicant from submitting an Application with respect to a particular Development or site at the appropriate time.

(b) **Communication with the Department.** Applicants that submit a Pre-Application are restricted from communication with Department staff as provided in §~~50.~~49.9(b) of this title. [2306.1113]

(c) **Pre-Application Evaluation Process.** Eligible Pre-Applications will be evaluated for Pre-Application Threshold Criteria.~~, and if requested by the Applicant, evaluated in regard to the inclusive capture rate as restricted under §1.32(g)(2) of this title.~~ Any Application from a TX-USDA-RHS 515 Development (~~including new construction and~~only for rehabilitation) is exempted from the Pre-Application Evaluation Process and will automatically receive the Pre-Application points further outlined in Section 49.9(g) of this title.~~is not eligible to receive points for submission of a Pre-Application.~~ Applications involving New Construction that are associated with a TX-USDA-RHS Development are not exempt from Pre-Application and are eligible to compete for the Pre-Application points further outlined in §49.9(g) of this title. An Application that has not received confirmation from the state office of RHS of its financing from TX-USDA-RHS may qualify for Pre-Application points, but such points shall be withdrawn upon the Development's receipt of TX-USDA-RHS financing. Pre-Applications that are found to have Administrative Deficiencies will be handled in accordance with §~~50.~~49.9(d)(4~~3~~) of this title. Department review at this stage is limited and not all issues of eligibility and threshold are reviewed at Pre-Application. Acceptance by staff of a Pre-Application does not ensure that an Applicant satisfies all Application eligibility, Threshold or documentation requirements. The Department is not responsible for notifying an Applicant of potential areas of ineligibility or threshold deficiencies at the time of Pre-Application.

(d) **Pre-Application Threshold Criteria and Review**. Applicants submitting a Pre-Application will be required to submit information demonstrating their satisfaction of the Pre-Application Threshold Criteria. The Pre-Applications not meeting the Pre-Application Threshold Criteria will be terminated and the Applicant will receive a written notice to the effect that the Pre-Application Threshold Criteria have not been met. The Department shall not be responsible for the Applicant's failure to meet the Pre-Application Threshold Criteria and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Pre-Application Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. The Pre-Application Threshold Criteria include:

(1) Submission of a "Pre-Application Submission Form" and "Certification of Pre-Application Total Self-Score~~ing Form,~~" and

(2) Evidence of site control through March 1, 2005 as evidenced by the documentation required under §~~50.~~49.9(f)(7)(A) of this title.

(3)~~ Consistent with §50.49.9(f)(8)(B) of this title, e~~Evidence that all of the notifications required under this paragraph~~that section~~ have been made. Notifications under clause (B)(i) must be made by the deadlines described in that clause; notifications under clauses (B)(ii) through (ix) must be made prior to the close of the Pre-Application Acceptance Period. [2306.6704] Evidence of notification must meet the requirements identified in subparagraph (A) of this paragraph to all of the individuals and entities identified in subparagraph (B) of this paragraph. Evidence of such notifications shall include a copy of the exact letter and other materials that were sent to the individual or entity, a sworn certified affidavit stating that they made the notifications prior to the deadlines and a copy of the entire mailing list (which includes the names and addresses) of all of the recipients. [2306.6705] [2306.6704]

(A) Each such notice must include, at a minimum, all of the following:

(i) The Applicant's name, address, individual contact name and phone number;

(ii) The Development name, address, city and county;

(iii) A statement informing the entity or individual being notified that the Applicant is submitting a request for Housing Tax Credits with the Texas Department of Housing and Community Affairs;

(iv) Statement of whether the Development proposes new construction or rehabilitation;

(v) The type of Development being proposed (single family homes, duplex, apartments, townhomes, highrise etc.) and population being served (family, transitional, elderly) ;

(vi) The approximate total number of Units and approximate total number of low income Units;

(vii) The approximate percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the percentage of Units that are market rate;

(viii) The number of Units and proposed rents (less utility allowances) for the low income Units and the number of Units and the proposed rents for any market rate Units. Rents to be provided are those that are effective at the time of the Pre-Application, which are subject to change as annual changes in the area median income occur; and

(ix) The expected completion date if credits are awarded.

(B) Notification must be sent to all of the following individuals and entities. Officials to be notified are those officials in office at the time the Application is submitted.

(i) Notification to Local Elected Officials for Neighborhood Organization Input. Evidence must be provided that a letter requesting information on neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site and meeting the requirements of "Local Elected Official Notification" as outlined in the Application was sent no later than January 15, 2005 to the local elected official for the city or if located outside of a city, then the county where the Development is proposed to be located. If the Development is located in a jurisdiction that has district based local elected officials, the notification must be made to the city council member or county commissioner representing that district; if the Development is located in a jurisdiction that has at-large local elected officials, the notification must be made to the mayor or county judge for the jurisdiction. A copy of the reply letter or other official third-party documentation from the local elected official must be provided. All entities identified in the letter from the local elected official whose boundaries include the proposed Development must be provided with written notification, and evidence of that notification must be provided. If the Applicant can provide evidence that the proposed Development is not located within the boundaries of an entity on a list from the local elected officials , then such evidence in lieu of notification may be acceptable. If no reply letter is received from the local elected officials by February 25, 2004, (or For Tax Exempt Bond Developments or Applications not applying for Tax Credits, but applying only for other Multifamily Programs such as HOME, Housing Trust Fund, etc., by 7 days prior to the submission of the Application) then the Applicant must submit a statement attesting to that fact. If an Applicant has knowledge of any neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site, the Applicant must notify those organizations. The Applicant must also certify that any organizations in a response letter that are not notified do not contain the Development within their boundaries. In the event that local elected officials refer the Applicant to another source, the Applicant must also notify that source and request the same information. If the Applicant has no knowledge of neighborhood organizations within whose boundaries the Development is proposed to be located, the Applicant must attest to that fact in the format provided by the Department as part of the Application.

(ii) Superintendent of the school district containing the Development;

(iii) Presiding officer of the board of trustees of the school district containing the Development;

(iv) Presiding officer of the governing body of any municipality containing the Development;

(v) All elected members of the governing body of any municipality containing the Development;

(vi) Presiding officer of the governing body of the county containing the Development;

(vii) All elected members of the governing body of the county containing the Development;

(viii) State senator of the district containing the Development; and

(ix) State representative of the district containing the Development.

(e) **Pre-Application Results**. Only Pre-Applications which have satisfied all of the Pre-Application Threshold Criteria requirements set forth in subsection (~~c~~d) of this section and §~~50.~~49.9(g)(10~~17~~) of this title, will be eligible for Pre-Application points. The order and scores of those Developments released on the Pre-Application Submission Log do not represent a commitment on the part of the Department or the Board to allocate tax credits to any Development and the Department bears no liability for decisions made by Applicants based on the results of the Pre-Application Submission Log. Inclusion of a Development on the Pre-Application Submission Log does not ensure that an Applicant will receive points for a Pre-Application.

§~~50.~~49.9. Application: Submission, Adherence to Obligations, Evaluation Process, Required Pre-Certification and Acknowledgement, Threshold Criteria, Selection Criteria, Evaluation Factors, Staff Recommendations.

(a) **Application Submission.** Any Applicant requesting a Housing Credit Allocation or a Determination Notice must submit an Application, and the required Application fee as described in §~~50.~~49.20~~21~~ of this title, to the Department during the Application Acceptance Period. Only complete Applications will be accepted. All required volumes must be appropriately bound as required by the Application Submission Procedures Manual and fully complete for submission and received by the Department not later than 5:00 p.m. on the date the Application is due. ~~A complete Application may be submitted at any time during the Application Acceptance Period, and is not limited to submission after the close of the Pre-Application Cycle.~~ Only one Application may be submitted for a site in an Application Round. While the Application Acceptance Period is open, Applicants may withdraw their Application and subsequently file a new Application utilizing the original Pre-Application Fee that was paid as long as no evaluation was performed by the Department. The Department is authorized, but not required, to request the Applicant to provide additional information it deems relevant to clarify information contained in the Application or to submit documentation for items it considers to be an Administrative Deficiency, including both threshold and selection criteria documentation. [2306.6708] An Applicant may not change or supplement an Application in any manner after the filing deadline, and may not add any set-asides, increase their credit amount, or revise their unit mix (both income levels and bedroom mixes), except in response to a direct request from the Department to remedy an Administrative Deficiency as further described in §~~50.~~49.3(1) of this title or ~~to the~~by amendment of an Application after a commitment or allocation of tax credits as further described in §~~50.~~49.17~~18~~ of this title.

(b) **Communication with Department Employees.** Communication with Department staff by Applicants that submit a Pre-Application or Application must follow the following requirements. During the period beginning on the date a Development Pre-Application or Application is filed and ending on the date the Board makes a final decision with respect to any approval of that Application, the Applicant or a Related Party, and any Person that is active in the construction, rehabilitation, ownership or Control of the proposed Development including a General Partner or contractor and a Principal or Affiliate of a General Partner or contractor, or individual employed as a lobbyist by the Applicant or a Related Party, may communicate with an employee of the Department about the Application orally or in written form, which includes electronic communications through the Internet, so long as that communication satisfies the conditions established under paragraphs (1) through (3) of this subsection. §49.5(b)(7) of this title applies to all communication with Board members. Communications with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(1) The communication must be restricted to technical or administrative matters directly affecting the Application;

(2) The communication must occur or be received on the premises of the Department during established business hours;

(3) a record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication. [2306.1113]

~~(b) Communication with the Department. Applicants that submit a Pre-Application or Application are restricted from communication with Department staff as described in this subsection. The Applicant or a Related Party, the Development Owner, or the General Contractor, or any Affiliate of the General Contractor, that is active in the ownership or Control of the Development, or individual employed as a lobbyist or in another capacity on behalf of the Development, may communicate with an employee of the Department with respect to the Development so long as that communication satisfies the conditions established under paragraphs (1) through (5) of this subsection. §50.5(b)(6) of this title applies to all communication with Board members. Communications with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.~~

~~(1) The communication must be restricted to technical or administrative matters directly affecting the Application;~~

~~(2) The communication must occur or be received on the premises of the Department during established business hours;~~

~~(3) Communication with the Executive Director, the Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Single Family Finance Production, the Director of Portfolio Management and Compliance, and the Director of Real Estate Analysis of the Department must only be in written form which includes electronic communication through the Internet; and~~

~~(4) Communication with other Department staff may be oral or in written form which includes electronic communication through the Internet; and~~

~~(5) a record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication. [2306.1113]~~

(c) **Adherence to Obligations.** [2306.6720] All representations, undertakings and commitments made by an Applicant in the application process for a Development, whether with respect to Threshold Criteria, Selection Criteria or otherwise, shall be deemed to be a condition to any Commitment Notice, Determination Notice, or Carryover Allocation for such Development, the violation of which shall be cause for cancellation of such Commitment Notice, Determination Notice, or Carryover Allocation by the Department, and if concerning the ongoing features or operation of the Development, shall be enforceable even if not reflected in the LURA. All such representations are enforceable by the Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform, in accordance with the LURA. To protect the integrity of the Department's processes and decisions, evidence of false statements or misrepresentations from applicant representatives, neighborhood representatives, or other persons will be considered for appropriate action, including terminating the Application, rejecting neighborhood organization letters for scoring, and possible referral to local district and county attorneys.

(d) **Evaluation Process.** Applications will be reviewed according to the process outlined in this subsection. An Application, during any of these stages of review, may be determined to be ineligible as further described in §49.5(b)(2); Applicants will be promptly notified in these instances.

~~(1) Threshold Criteria Review. Applications will be initially evaluated against the Threshold Criteria. Applications not meeting Threshold Criteria will be terminated, unless the Department determines that the failure to meet the Threshold Criteria is the result of Administrative Deficiencies, in which event the Applicant may be given an opportunity to correct such deficiencies. Applications not meeting Threshold Criteria will be rejected and the Applicant will be provided a written notice to the effect that the Threshold Criteria have not been met. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled.~~

(~~2~~1) Eligibility and Selection Criteria Review. All Applications will first be reviewed as described in this paragraph. Applications will be confirmed for eligibility under §§49.5 and 49.6 of this chapter and Set-Aside eligibility will be confirmed. ~~For an Application to be considered under the Selection Criteria, the Applicant must demonstrate that the Development meets all of the Threshold Criteria requirements. Applications that satisfy the Threshold Criteria will then~~Then, each Application will be preliminarily scored ~~and ranked~~ according to the Selection Criteria listed in subsection (g) of this section. When~~re~~ a particular scoring criterion involves multiple points, the Department will award points to the proportionate degree, in its determination, to which a proposed Development complied with that criterion. As necessary to complete this process only, Administrative Deficiencies may be issued to the Applicant. This process will generate a preliminary Department score for every application. ~~Applications not scored by the Department's staff shall be deemed to have the points allocated through self-scoring by the Applicants until actually scored. This shall apply only for purposes of releasing the Submission Log in ranked order by score.~~

(2) Priority Review Assessment. Each Application will be assessed based on either the Applicant's self-score or the Department's preliminary score, region, and any Set-Asides that the Application indicates it is eligible for, consistent with paragraph (5) of this subsection. Those Applications that appear to be most competitive will be designated as "priority" Applications. Applications that do not appear to be competitive may not be reviewed in detail for Threshold Criteria during the Application Round.

(3) Threshold Criteria Review. Applications that are designated as "priority" from the Priority Review Assessment will be evaluated in detail against the Threshold Criteria. Applications not meeting Threshold Criteria will be terminated, unless the Department determines that the failure to meet the Threshold Criteria is the result of Administrative Deficiencies, in which event the Applicant may be given an opportunity to correct such deficiencies. Applications not meeting Threshold Criteria will be terminated and the Applicant will be provided a written notice to that effect. The Department shall not be responsible for the Applicant's failure to meet the Threshold Criteria, and any failure of the Department's staff to notify the Applicant of such inability to satisfy the Threshold Criteria shall not confer upon the Applicant any rights to which it would not otherwise be entitled. Not all Applications will be reviewed in detail for Threshold Criteria. To the extent that the review of Threshold Criteria documentation, or submission of Administrative Deficiency documentation, alters the score assigned to the Application, Applicants will be notified of their final score. As Applications are evaluated under this Review process, a final score by the Department may remove the Application from "priority" status at which point other Applications may be designated as "priority" and reviewed under this paragraph.

(4)~~(3)~~ Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. Because the review for Eligibility and Selection, and Threshold Criteria may occur separately, Administrative Deficiency requests may be made several times. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within five~~eight~~ business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within seven~~ten~~ business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period.

(5)~~(4)~~ Subsequent Evaluation of Prioritized Applications. ~~After the Application is scored under the Selection Criteria, t~~The Department will assign, as herein described, Developments for review for financial feasibility by the Department's Real Estate Analysis Division – in general these will be those applications identified as "priority". This prioritization order will also be used in making recommendations to the Board. Assignments will be determined by first selecting the Applications with the highest scores in the Nonprofit Set-Aside statewide. Then selection will be made for the Applications with the highest scores in the At-Risk Set-Aside and TX-USDA-RHS Allocation~~Set-Asides~~ within each Uniform State Service Region. Remaining funds within each Uniform State Service Region will then be selected based on the highest scoring Developments, regardless of Set-Aside, in accordance with the requirements under §~~50.~~49.7(a) of this title for a Rural Regional Allocation and Urban/Exurban Regional Allocation. Selection for each of the Set-Asides will take precedence over selection for the Rural Regional Allocation and Urban/Exurban Regional Allocation. Funds for the Rural Regional Allocation or Urban/Exurban Regional Allocation within a region, for which there are no eligible feasible applications, will be redistributed as provided in §49.7(c) Redistribution of Credits.~~will go to the Urban/Exurban Regional Allocation for that region and will not be shifted to Rural Developments in another region.~~ If the Department determines that an allocation recommendation would cause a violation of the $2 million limit described in §~~50.~~49.6(d) of this title, the Department will make its recommendation by selecting the Development(s) that most effectively satisfies(y) the Department's goals in meeting set-aside and regional allocation goals. Based on Application rankings, the Department shall continue to underwrite Applications until the Department has processed enough Applications satisfying the Department's underwriting criteria to enable the allocation of all available housing tax credits according to regional allocation goals and Set-Aside categories. To enable the Board to establish a Waiting List, the Department shall underwrite as many additional Applications as necessary to ensure that all available housing tax credits are allocated within the period required by law. [2306.6710(a), (b) and (d); 2306.111]

(6~~5~~) Underwriting Evaluation and Criteria. The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate level of housing tax credits. In determining an appropriate level of housing tax credits, the Department shall, at a minimum, evaluate the cost of the Development based on acceptable cost parameters as adjusted for inflation and as established by historical final cost certifications of all previous housing tax credit allocations for the county in which the Development is to be located; if certifications are unavailable for the county, then the metropolitan statistical area in which the Development is to be located; or if certifications are unavailable under the county or the metropolitan statistical area, then the Uniform State Service Region in which the Development is to be located. Underwriting of a Development will include a determination by the Department, pursuant to the Code, §42, that the amount of credits recommended for commitment to a Development is necessary for the financial feasibility of the Development and its long-term viability as a qualified rent restricted housing property. In making this determination, the Department will use the Underwriting Rules and Guidelines, §1.32 of this title. Receipt of feasibility points under §~~50.~~49.9(g)(1) of this title does not ensure that an Application will be considered feasible during the feasibility evaluation by the Real Estate Analysis Division and conversely, a Development may be found feasible during the feasibility evaluation by the Real Estate Analysis Division even if it did not receive points under §~~50.~~49.9(g)(1) of this title. [2306.6711(b); 2306.6710(d)]

(A) The Department may have an external party perform the underwriting evaluation to the extent it determines appropriate. The expense of any external underwriting evaluation shall be paid by the Applicant prior to the commencement of the aforementioned evaluation.

(B) The Department will reduce the Applicant's estimate of Developer's and/or Contractor fees in instances where these exceed the fee limits determined by the Department. In the instance where the Contractor is an Affiliate of the Development Owner and both parties are claiming fees, Contractor's overhead, profit, and general requirements, the Department shall be authorized to reduce the total fees estimated to a level that it determines to be reasonable under the circumstances. Further, the Department shall deny or reduce the amount of Housing Tax Credits allocated with respect to any portion of costs which it deems excessive or unreasonable. Excessive or unreasonable costs may include developer fee attributable to Related Party acquisition costs. The Department also may require bids or Third Party estimates in support of the costs proposed by any Applicant.

(7~~6~~) Compliance Evaluation. After the Department has determined which Developments will be reviewed for financial feasibility, those same Developments will be reviewed for evaluation of the compliance status ~~of all members of the ownership structure~~ by the Department's Portfolio Management and Compliance Division, in accordance with Chapter 60 of this title.

(8~~7~~) Site Evaluation. Site conditions shall be evaluated through a physical site inspection by the Department or its assigns. Such inspection will evaluate the site based upon the criteria set forth in the Site Evaluation form provided in the Application and the inspector shall provide a written report of such site evaluation. The evaluations shall be based on the condition of the surrounding neighborhood, including appropriate environmental and aesthetic conditions and proximity to retail, medical, recreational, and educational facilities, and employment centers. The site's appearance to prospective tenants and its accessibility via the existing transportation infrastructure and public transportation systems shall be considered. "Unacceptable" sites include, without limitation, those containing a non-mitigable environmental factor that may adversely affect the health and safety of the residents. For Developments applying under the TX-USDA-RHS Set-Aside, the Department may rely on the physical site inspection performed by TX-USDA-RHS.

(e) **~~Required~~ Pre-Certification and Acknowledgement Procedures**. No later than 14~~7~~ days prior to the close of the Application Acceptance Period, an Applicant must submit the documents required in this subsection to obtain the required pre-certification and acknowledgement. For Applications submitted for Tax Exempt Bond Developments or Applications not applying for Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.) all documents in this section must be submitted with the Application.

(1) Experience Certificate. Upon receipt of the evidence required under this paragraph, a certification from the Department will be provided to the Applicant for inclusion in their Application(s). Evidence must show that one of the Development Owner's General Partners, the Developer or their Principals have a record of successfully constructing or developing residential units (single family or multifamily) in the capacity of owner, General Partner or Developer. If a Public Housing Authority organized an entity for the purpose of developing residential units the Public Housing Authority shall be considered a principal for the purpose of this requirement. If the individual requesting the certification was not the Development Owner, General Partner or Developer, but was the individual within one of those entities doing the work associated with the development of the units, the individual must show that the units were successfully developed as required below, and also provide written confirmation from the entity involved stating that the individual was the person responsible for the development. If rehabilitation experience is being claimed to qualify for an Application involving new construction, then the rehabilitation must have been substantial and involved at least $6,000 of direct hard cost per unit.

(A) The term "successfully" is defined as acting in a capacity as the owner, General Partner, or Developer of:

(i) at least 100 residential units; or

(ii) at least 36 residential units if the Development applying for credits is a Rural Development; or

(iii) at least 25 residential units if the Development applying for credits has 36 or fewer total Units.

(B) One of the following documents must be submitted: American Institute of Architects (AIA) Document A111 - Standard Form of Agreement Between Owner & Contractor, AIA Document G704 - Certificate of Substantial Completion, IRS Form 8609, HUD Form 9822, development agreements, partnership agreements, or other documentation satisfactory to the Department verifying that the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), Developer or their Principals have the required experience. If submitting the IRS Form 8609, only one form per Development is required. The evidence must clearly indicate:

(i) that the Development has been completed (i.e. Development Agreements, Partnership Agreements, etc. must be accompanied by certificates of completion.);

(ii) that the names on the forms and agreements tie back to the Development Owner's General Partner, partner (or if Applicant is to be a limited liability company, the managing member), Developer or their Principals as listed in the Application; and

(iii) the number of units completed or substantially completed.

(2) Financial Statement and Authorization to Release Credit Information. At the option of the Applicant, financial statements may be pre-submitted and a Department acknowledgement of receipt substituted for the financials in the subsequent Application. ~~Upon receipt of the evidence required under this paragraph, an acknowledgement from the Department will be provided to the Applicant for inclusion in their Application(s).~~ The acknowledgement will not constitute acceptance by the Department that financial statements provided are acceptable in any manner but only acknowledge their receipt. Applicants that do not opt to pre-submit financial statements and authorization to release credit information must provide a full submission in accordance with

this paragraph at the time of application. The financial statements and authorization to release credit information must be unbound and clearly labeled. A "Financial Statement and Authorization to Release Credit Information" must be completed and signed for any General Partner, Developer or Guarantor and any Person that has 10% or more ownership interest in the Development Owner, General Partner, Developer, or Guarantor. Nonprofit entities, public housing authorities and publicly traded corporations are only required to submit documentation for the entities involved; documentation for individual board members and executive directors is not required for this exhibit.

(A) ~~The~~ Financial statements for an individual must not be older than 90 days from the date of Application submission.

(B) Financial statements for ~~If submitting~~ partnerships or corporat~~e~~ions should be ~~financials in addition to the statements of individuals, the certified financial statements, or audited financial statements, if available, should be~~ for the most recent fiscal year ended 90 days prior to the date of Application submission. ~~day the documentation is submitted.~~ An audited financial statement should be provided, if available, and all partnership or corporate financials must be certified. ~~This document is~~ Financial statements are required for an entity even if the entity is wholly-owned by a Person who has submitted this document as an individual.

(C) Entities that have not yet been formed and entities that have been formed recently but have no assets, liabilities, or net worth are not required to submit this documentation, but must submit a statement with their Application that this is the case.

(3) Previous Participation. Upon receipt of the evidence required under this paragraph, an acknowledgement from the Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in their Application(s). A completed and executed "Previous Participation and Background Certification Form" as provided in the Application must be provided for the Applicant, Development Owner, Developer and Guarantor and each entity shown on an organizational chart as described in subsection (f)(9)(A) of this section that has 10% or more ownership interest in the Development Owner, Developer or Guarantor. Nonprofit entities, public housing authorities and publicly traded corporations are only required to submit documentation for the entities involved; documentation for individual board members and executive directors is not required for this exhibit. Any Person receiving more than 10% of the Developer fee will also be required to submit documents for this exhibit. The ~~2004~~ 2005 versions of these forms, as required in the Uniform Application, must be submitted. Units of local government are also required to submit this document. The form must include a list of all developments that are, or were, previously under ownership or Control of the Person. All participation in any TDHCA funded or monitored activity, including non-housing activities, must be disclosed.

(4) National Previous Participation. Upon receipt of the evidence required under this paragraph, an acknowledgement from the Portfolio Management and Compliance Division will be provided to the Applicant for inclusion in their Application(s). If the Applicant, Development Owner or any of its Affiliates, Developer and Guarantor or any entity shown on the organizational chart described in subsection (f)(9)(A) of this section that have 10% or more ownership interest in the Development Owner have, or have had, ownership or Control of affordable housing, being housing that receives any form of financing and/or assistance from any Governmental Entity for the purpose of enhancing affordability to persons of low or moderate income, outside the state of Texas, then evidence must be submitted that such Persons have sent the "National Previous Participation and Background Certification Form" to the appropriate Housing Credit Agency for each state in which they have developed or operated affordable housing. Nonprofit entities and public housing authorities are only required to submit documentation for the entity itself; documentation for board members and executive directors is not required for this exhibit. Any Person receiving more than 10% of the Developer fee will also be required to submit documents for this exhibit. This form is only necessary when the Developments involved are outside the state of Texas. An original form is not required. Evidence of such notification shall be a copy of the form sent to the agency and proof of delivery in the form of a certified mail receipt, overnight mail receipt, or confirmation letter from the agency.

(f) **Threshold Criteria.** The following Threshold Criteria listed in ~~paragraphs (1) through (15) of~~ this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise:

(1) Completion and submission of the Application, which includes the entire Uniform Application and any other supplemental forms which may be required by the Department. [2306.1111]

(2) Completion and submission of the Site Packet ~~(Volume 2)~~ as provided in the Application.

(3) Set-Aside Eligibility. Documentation must be provided that confirms eligibility for all Set-Asides under which the Application is seeking funding as required in the Application.

(4) Certifications. The "Certification Form" provided in the Application confirming the following items:

(A) A certification of the basic amenities selected for the Development. All Developments, must meet at least the minimum threshold of points. ~~The Applicant must certify that they will satisfy at least the~~

~~minimum point threshold for amenities as further described in §50.9(g)(7)(D).~~ The amenities selected must be made available for the benefit of all tenants. If fees in addition to rent are charged for amenities reserved for an individual tenant's use, then the amenity may not be included among those provided to complete this exhibit. ~~Any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.~~ Developments must provide a minimum number of common amenities in relation to the Development size being proposed. The amenities selected must be selected from clause (ii) of this subparagraph and made available for the benefit of all tenants. Developments proposing rehabilitation or proposing Single Room Occupancy will receive double points for each item. Any future changes in these amenities, or substitution of these amenities, must be approved by the Department in accordance with §49.17(c) of this title and may result in a decrease in awarded credits if the substitution or change includes a decrease in cost, or in the cancellation of a Commitment Notice or Carryover Allocation if all of the Common Amenities claimed are no longer met.

(i) Applications must meet a minimum threshold of points (based on the total number of Units in the Development) as follows:

(I) Total Units are less than 40, 3 points are required to meet Threshold;
(II Total Units are between 40 and 76, 6 points are required to meet Threshold;
(III Total Units are between 77 and 99, 9 points are required to meet Threshold;
(IV) Total Units are between 100 and 149, 12 points are required to meet Threshold;
(V) Total Units are between 150 and 199, 15 points are required to meet Threshold;
(VI) Total Units are more than 200, 18 points are required to meet Threshold.

(ii) Amenities for selection include those items listed in subclauses (I) through (XXIV) of this clause. Both Developments designed for families and Qualified Elderly Developments can earn points for providing each identified amenity unless the item is specifically restricted to one type of Development. All amenities must meet accessibility standards as further described in §49.9(f)(4)(D) of this title. An Application can only count an amenity once, therefore combined functions (a library which is part of a community room) only count under one category. Spaces for activities must be sized appropriately to serve the anticipated population.

(I) Full perimeter fencing with controlled gate access (3 points);
(II) Full perimeter fencing without controlled gate access (2 points);
(III) Gazebo w/sitting area (1 point);
(IV) Accessible walking path (1 point);
(V) Community gardens (1 point);
(VI) Community laundry room (1 point);
(VII) Public telephone(s) available to tenants 24 hours a day (2 points);
(VIII) Barbecue grills and picnic tables – at least one for every 50 Units (1 point);
(IX) Covered pavilion that includes barbecue grills and tables (2 points);
(X) Swimming pool (3 points);
(XI) Furnished fitness center (2 points);
(XII) Equipped Business Center (computer and fax machine) or Equipped Computer Learning Center (2 points);
(XIII) Furnished Community room (1 point);
(XIV) Library (separate from the community room) (1 point);
(XV) Enclosed sun porch or covered community porch/patio (2 points);
(XVI) Service coordinator office in addition to leasing offices (1 point);
(XVII) Senior Activity Room (Arts and Crafts, etc.) – Only Qualified Elderly Developments Eligible (2 points);
(XVIII) Health Screening Room (1 point);
(XIX) Secured Entry (elevator buildings only) - (1 point);
(XX) Horseshoe, Putting Green or Shuffleboard Court – Only Qualified Elderly Developments Eligible (1 point);
(XXI) Community Dining Room w/full or warming kitchen - Only Qualified Elderly Developments Eligible (3 points);
(XXII) Two Children's Playgrounds Equipped for 5 to 12 year olds, two Tot Lots, or one of each - Only Family Developments Eligible (2 points) or one point for one playground or one tot lot;
(XXIII) Sport Court (Tennis, Basketball or Volleyball) - Only Family Developments Eligible (2 points); or
(XXIV) Furnished and staffed Children's Activity Center - Only Family Developments Eligible (3 points).

(B) A certification that the Development will have all of the following Unit Amenities (not required for Single Room Occupancy Developments). If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to complete this exhibit. Any future changes in these amenities, or substitution of these amenities, may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in a cancellation of a Commitment Notice or Carryover Allocation if the Threshold Criteria are no longer met.

(i) All Units must be built/rehabilitated with three networks: One network installed for phone using CAT5e or better wiring; a second network for data installed using CAT5e or better wiring, networked from the Unit back to a central location; and a third network for TV services using COAX cable. ~~Computer line/phone jack available in all bedrooms (only one phone line needed)~~;

(ii) Mini blinds or window coverings for all windows;

(iii) Dishwasher and Disposal (not required for TX-USDA-RHS Developments);

(iv) Refrigerator;

(v) Oven/Range;

(vi) Exhaust/vent fans in bathrooms;

(vii) Ceiling fans in living areas and bedrooms; and

(viii) be designed in accordance with International Building Code.

(C) A certification that the Development will adhere to the Texas Property Code relating to security devices and other applicable requirements for residential tenancies, and will adhere to local building codes or if no local building codes are in place then ~~at a minimum~~ to the most recent version of the International Building Code.~~s or other locally adopted building codes.~~

(D) A certification that the Applicant is in compliance with state and federal laws, including but not limited to, fair housing laws, including Chapter 301, Property Code, Title VIII of the Civil Rights Act of 1968 (42 U.S.C. Section 3601 et seq.), and the Fair Housing Amendments Act of 1988 (42 U.S.C. Section 3601 et seq.); the Civil Rights Act of 1964 (42 U.S.C. Section 2000a et seq.); the Americans with Disabilities Act of 1990 (42 U.S.C. Section 12101 et seq.); ~~and~~ the Rehabilitation Act of 1973 (29 U.S.C. Section 701 et seq.); Fair Housing Accessibility; the Texas Fair Housing Act; and that the Development is designed consistent with the Fair Housing Act Design Manual produced by HUD, the Code Requirements for Housing Accessibility 2000 (or as amended from time to time) produced by the International Code Council and the Texas Accessibility Standards. [2306.257; 2306.6705(a)(7)]

(E) A certification that the Applicant will attempt to ensure that at least 30% of the construction and management businesses with which the Applicant contracts in connection with the Development are Minority Owned Businesses, and that the Applicant will submit a report at least once in each 90-day period following the date of the Commitment Notice until the Cost Certification is submitted, in a format prescribed by the Department and provided at the time a Commitment Notice is received, on the percentage of businesses with which the Applicant has contracted that qualify as Minority Owned Businesses. [2306.6734]

(F) A certification that the Development will comply with the accessibility standards that are described in~~required under~~ Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794), and specified under 24 C.F.R. Part 8, Subpart C. This includes that for all Developments, a minimum of five percent of the total dwelling Units or at least one Unit, whichever is greater, shall be made accessible for individuals with mobility impairments. A Unit that is on an accessible route and is adaptable and otherwise compliant with sections 3–8 of the Uniform Federal Accessibility Standards (UFAS), shall be deemed to meet this requirement. An additional two percent of the total dwelling Units, or at least one Unit, whichever is greater, shall be accessible for individuals with hearing or vision impairments. Additionally, in Developments involving new construction where some Units are two-stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each Unit type (i.e. one bedroom, two bedroom, three bedroom) must provide an accessible entry level in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. At the time the 10% Test Documentation is submitted,~~construction loan closing,~~ a certification from an accredited architect or Department-approved third party accessibility specialist, will be required stating that the Development was designed in conformance with these standards and that all features have been or will be installed to make the Unit accessible for individuals with mobility impairments or individuals with hearing or vision impairments. A similar certification will also be required after the Development is completed. ~~This requirement applies to all Developments including new construction and rehabilitation.~~ Any Developments designed as single family structures must also satisfy the requirements of 2306.514, Texas Government Code. [2306.6722 and 2306.6730]

(G) A certification that the Development will adhere to the 2003~~2000~~ International Energy Conservation Code (IECC) ~~and the Department's Minimum Standard Energy Saving Devices~~ in the construction of each tax credit Unit, unless historic preservation codes permit otherwise for a Development involving historic preservation. ~~notwithstanding. Minimum Standard Energy Saving Measures are identified in clauses (i) through (v)~~

~~of this subparagraph.~~ All Units must be air-conditioned. The measures must be certified by the Development architect as being included in the design of each tax credit Unit ~~prior to~~ at the time the 10% Test Documentation is submitted ~~closing of the construction loan~~ and in actual construction upon Cost Certification. [2306.6725(b)]

~~(i) Insulation values must meet the 2000 International Energy Conservation Code (IECC) for the region in which the development is located. Developments must also include soffit and ridge vents and insulated windows;~~

~~(ii) If newly installed, Energy Star or equivalently rated air handler and condenser; or heating and cooling systems with minimum SEER 12 A/C and 90% AFUE furnace if using gas; or in dry climates an evaporative cooling system may replace the Energy Star cooling system;~~

~~(iii) Water heaters to have an energy factor no less than .93 for electric or greater than .62 for gas;~~

~~(iv) Maximum 2.5 gallon/minute showerheads and maximum 1.5 gallon/minute faucet aerators; and~~

~~(v) Installation of ceiling fans in living room and each sleeping room.~~

(H) A certification that the Development will be built by a General Contractor that satisfies the requirements of the General Appropriation Act, Article VII, Rider 7(c) applicable to the Department which requires that the General Contractor hired by the Development Owner or the Applicant, if the Applicant serves as General Contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits.

(I) A certification that the Development Owner agrees to establish a reserve account consistent with 2306.186 Texas Government Code and as further described in ~~Chapter~~ Section 1.37~~60~~ of this title. [Section 2306.186]

(5) Design Items. This exhibit will provide:

(A) All of the architectural drawings identified in clauses (i) through (iii~~iv~~) of this subparagraph. While full size design or construction documents are not required, the drawings must have an accurate and legible scale and show the dimensions. All Developments involving new construction, or conversion of existing buildings not configured in the Unit pattern proposed in the Application, must provide all of the items identified in clauses (i) through (iii~~iv~~) of this subparagraph. For Developments involving rehabilitation for which the Unit configurations are not being altered, only the items identified in clauses (i) and (ii) of this subparagraph are required:

(i) a site plan which:

(I) is consistent with the number of Units and Unit mix specified in the "Rent Schedule" provided in the Application;

(II) identifies all residential and common buildings and amenities; and

(III) clearly delineates the flood plain boundary lines and all easements shown in the site survey;

~~(ii) floor plans for each type of residential building and each type of common area building;~~

(~~i~~ii) floor plans and elevations for each type of residential building and each common area building clearly depicting the height of each floor and a percentage estimate of the exterior composition; and

(iii~~iv~~) Unit floor plans for each type of Unit showing special accessibility and energy features. The net rentable areas these Unit floor plans represent should be consistent with those shown in the "Rent Schedule" provided in the application. For purposes of completing the Rent Schedule for loft or studio type Units (which still must meet the definition of Bedroom), a Unit with 650 square feet or less is considered not more than a one-bedroom Unit, a Unit with 651 to 900 square feet is considered not more than a two-bedroom Unit and a Unit with greater than 900 square feet is considered not more than a three-bedroom Unit; and

(B) A boundary survey of the proposed Development site and of the property to be purchased. In cases where more property is purchased than the proposed site of the Development, the survey or plat must show the survey calls for both the larger site and the subject site. The survey does not have to be recent; but it must show the property purchased and the property proposed for development. In cases where the site of the Development is only a part of the site being purchased, the depiction or drawing of the Development portion may be professionally compiled and drawn by an architect, engineer or surveyor.

~~(C) Rehabilitation Developments must submit photographs of the existing signage, typical building elevations and interiors, existing Development amenities, and site work. These photos should clearly document the typical areas and building components which exemplify the need for rehabilitation.~~

(6) Evidence of the Development's development costs and corresponding credit request and syndication information as described in subparagraphs (A) through (G) of this paragraph.

(A) A written narrative describing the financing plan for the Development, including any non-traditional financing arrangements; the use of funds with respect to the Development; the funding sources for the Development including construction, permanent and bridge loans, rents, operating subsidies, and replacement reserves; and the commitment status of the funding sources for the Development. This information must be consistent with the information provided throughout the Application. [2306.6705(a)(1)]

(B) All Developments must submit the "Development Cost Schedule" provided in the Application. This exhibit must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(C) Provide a letter of commitment from a syndicator that, at a minimum, provides an estimate of the amount of equity dollars expected to be raised for the Development in conjunction with the amount of housing tax credits requested for allocation to the Development Owner, including pay-in schedules, syndicator consulting fees and other syndication costs. No syndication costs should be included in the Eligible Basis. [2306.6705(a)(2) and (3)]

(D) For Developments located in a Qualified Census Tract (QCT) as determined by the Secretary of HUD and qualifying for a 30% increase in Eligible Basis, pursuant to the Code, §42(d)(5)(C), Applicants must submit a copy of the census map clearly showing that the proposed Development is located within a QCT. Census tract numbers must be clearly marked on the map, and must be identical to the QCT number stated in the Department's Reference Manual.

(E) Rehabilitation Developments must submit a Property Condition Assessment performed in accordance with §1.36 of this title, Property Condition Assessment Guidelines. For Developments receiving financing from TX-USDA-RHS, a copy of the ~~Housing Quality Standards C~~checklist prepared by TX-USDA-RHS may be submitted in lieu of the Property Condition Assessment. The Property Condition Assessment may be submitted as a Supplemental Threshold Report consistent with the timelines and submission documentation requirements identified in paragraph (14)(D) of this subsection.

(F) If offsite costs are included in the budget as a line item, or embedded in the site acquisition contract, or referenced in the utility provider letters, then the supplemental form "Off Site Cost Breakdown" must be provided.

(G) If projected site work costs include unusual or extraordinary items or exceed $7,500 per Unit, then the Applicant must provide a detailed cost breakdown prepared by a Third Party engineer or architect, and a letter from a certified public accountant allocating which portions of those site costs should be included in Eligible Basis and which ones may be ineligible.

(7) Evidence of readiness to proceed as evidenced by at least one of the items under each of subparagraphs (A) through (D) of this paragraph:

(A) Evidence of site control in the name of Development Owner. If the evidence is not in the name of the Development Owner, then the documentation should reflect an expressed ability to transfer the rights to the Development Owner. All individual Persons who are members of the ownership entity of the seller of the proposed site must be identified at the time of Application (not required at Pre-Application). One of the following items described in clauses (i) through (iii) of this subparagraph must be provided:

(i) a recorded warranty deed; or

(ii) a contract for sale or lease (the minimum term of the lease must be at least 45 years) which is valid for the entire period the Development is under consideration for tax credits; or ~~or at least 90 days, whichever is greater; or~~

(iii) an exclusive option to purchase or earnest money contract (which must show that the earnest money has been deposited) which is valid for the entire period the Development is under consideration for tax credits. ~~or at least 90 days, whichever is greater.~~

(iv) As described in clauses (ii) and (iii), site control must be continuous. Closing on the property is acceptable, as long as evidence is provided that there was no period in which control was not retained.

(B) Evidence from the appropriate local municipal authority that satisfies one of clauses (i) through (iii) of this subparagraph. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period. [2306.6705(a)(5)]

(i) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that the Development is located within the boundaries of a political subdivision which does not have a zoning ordinance; the letter must also state that the Development fulfills a need for additional affordable rental housing as evidenced in a local consolidated plan, comprehensive plan, or other local planning document; or a letter from the local municipal authority stating that there is no local plan and that the city supports the Development.

(ii) a letter from the chief executive officer of the political subdivision or another local official with appropriate jurisdiction stating that:

(I) the Development is permitted under the provisions of the zoning ordinance that applies to the location of the Development or that there is not a zoning requirement; or

(II) the Applicant is in the process of seeking the appropriate zoning and has signed and provided to the political subdivision a release agreeing to hold the political subdivision and all other parties harmless in the event that the appropriate zoning is denied, and a time schedule for completion of appropriate zoning. The Applicant must also provide at the time of Application a copy of the application for appropriate zoning filed with the local entity responsible for zoning approval and proof of delivery of that application in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official. ~~No later than April 1, 2004 (or for Tax Exempt Bond Developments no later than 14 days before the Board meeting where the credits will be committed), the Applicant must submit to the Department written evidence that the local entity responsible for initial approval of zoning has approved the appropriate zoning and that it will recommend approval of appropriate zoning to the entity responsible for final approval of zoning decisions (city council or county commission). If this evidence is not provided on or before April 1, 2004, the Application will be terminated.~~ Final approval of appropriate zoning must be achieved and documentation of acceptable zoning for the Development, as proposed in the Application, must be provided to the Department at the time the Commitment Fee, or Determination Notice Fee, is paid. If this evidence is not provided with the Commitment Fee, any commitment of credits will be rescinded. No extensions may be requested for the deadline for submitting evidence of final approval of appropriate zoning.

(iii) In the case of a rehabilitation Development, if the property is currently a non-conforming use as presently zoned, a letter which discusses the items in subclauses (I) through (IV) of this clause:

(I) a detailed narrative of the nature of non-conformance;

(II) the applicable destruction threshold;

(III) owner's rights to reconstruct in the event of damage; and

(IV) penalties for noncompliance.

(C) Evidence of interim and permanent financing sufficient to fund the proposed Total Housing Development Cost less any other funds requested from the Department and any other sources documented in the Application. Such evidence must be consistent with the sources and uses of funds represented in the Application and shall be provided in one or more of the following forms described in clauses (i) through (iv) of this subparagraph:

(i) bona fide financing in place as evidenced by a valid and binding loan agreement and a deed(s) of trust in the name of the Development Owner and/or expressly allows the transfer to the Development Owner; or,

(ii) bona fide commitment or term sheet for the interim and permanent loans issued by a lending institution or mortgage company that is actively and regularly engaged in the business of lending money which is addressed to the Development Owner and which has been executed by the lender (the term of the loan must be for a minimum of 15 years with at least a 30 year amortization). The commitment must state an expiration date and all the terms and conditions applicable to the financing including the mechanism for determining the interest rate, if applicable, and the anticipated interest rate and any required Guarantors. Such a commitment may be conditional upon the completion of specified due diligence by the lender and upon the award of tax credits; or,

(iii) any Federal, State or local gap financing, whether of soft or hard debt, must be identified at the time of Application. At a minimum, evidence from the lending agency that an application for funding has been made and a term sheet which clearly describes the amount and terms of the funding, and the date by which the funding determination will be made and any commitment issued, must be submitted. Evidence of application for funding from another Department program is not required except as indicated on the Uniform Application, as long as the Department funding is on a concurrent funding period with the Application submitted and the Applicant clearly indicates that such an application has been filed as required by the Application Submission Procedures Manual. If the commitment from the other funding source has not been received by the date the Department's Commitment Notice is to be submitted, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the other funding source, the Commitment Notice will be rescinded. ~~No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will be reevaluated for financial feasibility; if determined to be feasible the Department may proceed with an allocation recommendation~~; or

(iv) if the Development will be financed through Development Owner contributions, provide a letter from an Third Party CPA verifying the capacity of the Development Owner to provide the proposed financing with funds that are not otherwise committed together with a letter from the Development Owner's bank or banks confirming that sufficient funds are available to the Development Owner. Documentation must have been prepared and executed not more than 6 months prior to the close of the Application Acceptance Period.

(D) Provide the documents in clause (i) of this subparagraph and either of the documents described in clauses (ii) and (iii) of this subparagraph, and satisfying the requirements of clause (iv) of this subparagraph, if applicable:

(i) a copy of the full legal description

(ii) a copy of the current title policy which shows that the ownership (or leasehold) of the land/Development is vested in the exact name of the Development Owner; or

(iii) a copy of a current title commitment with the proposed insured matching exactly the name of the Development Owner and the title of the land/Development vested in the exact name of the seller or lessor as indicated on the sales contract or lease.

(iv) if the title policy or title commitment is more than six months old as of the day the Application Acceptance Period closes, then a letter from the title company indicating that nothing further has transpired on the policy or commitment.

(8) Evidence of all of the notifications described in the subparagraphs ~~(A) through (E)~~ of this paragraph. Such notices must be prepared in accordance with the "Public Notifications" statement provided in the Application.

~~(A) A copy of the public notice published in the most widely circulated newspaper in the area in which the proposed Development will be located. The newspaper must be intended for the general population and may not be a business newspaper or other specialized publication. Such notice must run at least twice within a thirty day period. Such notice must be published prior to the submission of the Application to the Department and can not be older than three months from the first day of the Application Acceptance Period. In communities located within a Metropolitan Statistical Area the notice must be published in the newspapers of both the Development community and the Metropolitan Statistical Area, unless the local newspaper of the Development community is published at least five times a week in which case the notice need only be published in the local newspaper of the Development community. Developments that involve rehabilitation and which are already serving low income residents are not required to publish this notice or provide this exhibit.~~

(A~~B~~) Evidence of notification meeting the requirements identified in clause (i) of this subparagraph to all of the individuals and entities identified in clause (ii) of this subparagraph. Evidence of such notifications shall include a copy of the exact letter and other materials that were sent to the individual or entity, a sworn affidavit stating that they made all required notifications prior to the deadlines and a copy of the entire mailing list (which includes the names and addresses) of all of the recipients. ~~and proof of delivery in the form of a signed certified mail receipt, signed overnight mail receipt, or confirmation letter from said official. Proof of notification must not be older than three months from the first day of the Application Acceptance Period.~~[2306.6704] If evidence of these notifications was submitted with the Pre-Application Threshold for the same Application and satisfied the Department's review of Pre-Application Threshold, then no additional notification is required at Application, except~~.~~ that re-notification is required by tax credit Applicants who have submitted a Pre-Application if the Application reflects a total Unit increase or decrease of greater than 10%, an increase or decrease of greater than 10% for any given level of AMGI, or a change to the population being served (elderly, family or transitional). For Applications submitted for Tax Exempt Bond Developments or Applications not applying for Tax Credits, but applying only under other Multifamily Programs (HOME, Housing Trust Fund, etc.), notification and proof thereof must not be older than 30 days prior to the date the Application is submitted.

(i) Each such notice must include, at a minimum, all of the following:

(I) The Applicant's name, address, individual contact name and phone number;

(II) The Development name, address, city and county;

(III) A statement informing the entity or individual being notified that the Applicant is submitting a request for Housing Tax Credits with the Texas Department of Housing and Community Affairs;

(IV) Statement of whether the Development proposes new construction or rehabilitation;

(V) The type of Development being proposed (single family homes, duplex, apartments, townhomes, highrise etc.) and population being served (family, transitional, elderly) ;

(VI) The approximate total number of Units and approximate total number of low income Units;

(VII) The approximate percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the percentage of Units that are market rate;

(VIII) The number of Units and proposed rents (less utility allowances) for the low income Units and the number of Units and the proposed rents for any market rate Units. Rents to be provided are those that are effective at the time of the Pre-Application, which are subject to change as annual changes in the area median income occur; and

(IX) The expected completion date if credits are awarded.

(ii) Notification must be sent to all of the following individuals and entities. Officials to be notified are those officials in office at the time the Application is submitted.

(I) Notification to Local Elected Officials for Neighborhood Organization Input. ~~City and County Clerks and Neighborhood Organizations.~~ Evidence must be provided that a letter requesting information on neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site and meeting the requirements of "Local Elected Official ~~Clerk~~ Notification" as outlined in the Application was sent no later than January 15, ~~2004~~ 2005 to the local elected official ~~city clerk and county clerk~~ for the city or if located outside of a city, then the ~~and~~ county where the Development is proposed to be located. If the Development is located in a jurisdiction that has district based local elected officials, the notification must be made to the city council member or county commissioner representing that district; if the Development is located in a jurisdiction that has at-large local elected officials, the notification must be made to the mayor or county judge for the jurisdiction. A copy of the reply letter or other official third-party documentation from the local elected official ~~city and county clerks~~ must be provided. ~~For urban/exurban areas, a~~All entities identified in the letter~~s~~ from the local elected official whose boundaries include the proposed Development ~~city and county clerks whose listed address has the same zip code as the zip code for the Development~~ must be provided with written notification, and evidence of that notification must be provided. ~~If any other zip codes exist within a half mile of the Development site, then all entities identified in the letters from the city and county clerks with those adjacent zip codes must also be provided with written notification, and evidence of that notification must be provided. For rural areas, all entities identified in the letters from the city and county clerks whose listed address is within a half mile of the Development site must be provided with written notification, and evidence of that notification must be provided.~~ If the Applicant can provide evidence that the proposed Development is not located within the boundaries of an entity on a list from the local elected officials ~~clerk(s)~~, then such evidence in lieu of notification may be acceptable. If no reply letter is received from the local elected officials ~~city or county clerk~~ by February 25, 2004, (or For Tax Exempt Bond Developments or Applications not applying for Tax Credits, but applying only for other Multifamily Programs such as HOME, Housing Trust Fund, etc., by 7 days prior to the submission of the Application) then the Applicant must submit a statement attesting to that fact. If an Applicant has knowledge of any neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site, the Applicant must notify those organizations. The Applicant must also certify that any organizations in a response letter that are not notified do not contain the Development within their boundaries. In the event that local elected officials refer the Applicant to another source, the Applicant must also notify that source and request the same information. If the Applicant has no knowledge of neighborhood organizations within whose boundaries the Development is proposed to be located, the Applicant must attest to that fact in the format provided by the Department as part of the Application.

(II) Superintendent of the school district containing the Development;

(III) Presiding officer of the board of trustees of the school district containing the Development;

(IV) Presiding officer of the governing body of any municipality containing the Development;

(V) All elected members of the governing body of any municipality containing the Development;

(VI) Presiding officer of the governing body of the county containing the Development;

(VII) All elected members of the governing body of the county containing the Development;

(VIII) State senator of the district containing the Development; and

(IX) State representative of the district containing the Development.

(B~~C~~) Signage on Property or Alternative. A Public Notification Sign shall be installed on the Development site prior to the date the Application is submitted. For Tax Exempt Bond Developments the sign must be installed no later than 14 days after the Department's receipt of Volumes I and II. Evidence submitted with the Application must include photographs of the site with the installed sign and invoice receipt confirming installation from the entity that installed the sign. The sign must be at least 4 feet by 8 feet in size and located within twenty feet of, and facing, the main road adjacent to the site. The sign shall be continuously maintained on the site until the day that the Board takes final action on the Application for the development. The information and lettering on the sign must meet the requirements identified in the Application. For Tax Exempt Bond Developments for which the Department is not the issuer of the bonds, the Applicant must ensure that the date, time and location of the TEFRA hearing are indicated on the sign. As an alternative to installing a Public Notification Sign and at the same required time, the Applicant may instead, at the Applicant's ~~O~~option, mail written notification to those addresses described in either clause (i) or (ii) of this subparagraph. This written notification must include the information otherwise required for the sign as provided in the Application. If the Applicant chooses to provide this mailed notice in lieu of signage, the final Application must include a map of the proposed Development site and mark the distance required by clause (i) or (ii) of this subparagraph, up to 1,000 feet, showing street names and addresses; a list of all addresses the notice was mailed to; an exact copy of the notice that was mailed; and a certification that the notice was mailed through the U.S. Postal Service and stating the date of mailing. If the option in clause (i) of this subparagraph is used, then evidence must be provided affirming the local zoning notification requirements.

(i) all addresses required for notification by local zoning notification requirements. For example, if the local zoning notification requirement is notification to all those addresses within 200 feet, then that would be the distance used for this purpose; or

(ii) for Developments located in communities that do not have zoning, communities that do not require a zoning notification, or those located outside of a municipality, all addresses located within 1,000 feet of any part of the proposed Development site.

(C~~D~~) If any of the Units in the Development are occupied at the time of Application, then the Applicant must certify that they have notified each tenant ~~post a copy of the public notice in a prominent location~~ at the Development ~~throughout the period of time the Application is under review by the Department. A photograph of this posted notice must be provided with this exhibit. When the~~ and let the tenants know of the Department's public hearing schedule for comment on submitted Applications. ~~becomes available, a copy of the schedule must also be posted until such hearings are completed. Compliance with these requirements shall be confirmed during the Department's site inspection.~~

~~(E) The Development Owner shall certify to the Department that it shall consider as potential tenants holders of Section 8 vouchers or certificates or other tenants based rental assistance programs.~~

(9) Evidence of the Development's proposed ownership structure and the Applicant's previous experience as described in subparagraphs (A) through (E) of this paragraph.

(A) Chart which clearly illustrates the complete organizational structure of the final proposed Development Owner and of any Developer or Guarantor, providing the names and ownership percentages of all Persons having an ownership interest in the Development Owner or the Developer or Guarantor, as applicable, whether directly or through one or more subsidiaries.

(B) Each Applicant, Development Owner, Developer or Guarantor, or any entity shown on an organizational chart as described in subparagraph (A) of this paragraph that has 10% or more ownership interest in the Development Owner, Developer or Guarantor, shall provide the following documentation, as applicable:

(i) For entities that are not yet formed but are to be formed either in or outside of the state of Texas, a certificate of reservation of the entity name from the Texas Secretary of State; or~~:~~

~~(I) a certificate of reservation of the entity name from the Texas Secretary of State or from the state in which the entity is to be formed if different from Texas; and~~

~~(II) executed letter(s) of intent to organize signed by a representative of each organization that is a party to the proposal or a copy of the draft organizational documents for the entity to be formed including Articles of Incorporation, Articles of Organization or Partnership Agreement with a signed notation from a representative of each organization acknowledging intent to organize.~~

(ii) For existing entities whether formed in or outside of the state of Texas, evidence that the entity has the authority to do business in Texas or has applied for such authority.~~:~~

~~(I) A Certificate of Account Status from the Texas Comptroller of Public Accounts or, if such a Certificate is not available because the entity is newly formed, a statement to such effect; and a Certificate of Organization from the Secretary of State; and~~

~~(II) for entities formed in a state other than Texas a certificate of authority to do business in Texas or an application for a certificate of authority,~~

~~(III) Copies of the entity's governing documents, including, but not limited to, its Articles of Incorporation, Articles of Organization, Certificate of Limited Partnership, Bylaws, Regulations and/or Partnership Agreement.~~

~~(iii) the Applicant must provide evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control and that those Persons signing the Application constitute all Persons required to sign or submit such documents. A cover sheet must be placed before the copy of the organizational documents, identifying the relevant document(s) where the evidence of authority to sign is to be found and specifying exactly where the applicable information exists within all relevant documents by page number or by section and subsection if the pages are not numbered.~~

(C) Evidence that each entity shown on an the organizational chart described in subparagraph (A) of this paragraph that has 10% or more ownership interest in the Development Owner, Developer or Guarantor, has provided a copy of the completed and executed Previous Participation and Background Certification Form to the Department. Evidence must be a certification from the Department for each of those Persons required to submit these documents as further described under §~~50.~~49.9(e)(3) of this title. Applicants must request this certification at least seven days prior to the close of the Application Acceptance Period. Applicants must ensure that the Person whose name is on the certification is the appropriate Person appearing in the organizational chart provided in subparagraph (A) of this paragraph.

(D) Evidence that, if the Development Owner or any of its Affiliates shown on the organizational chart described in subparagraph (A) of this paragraph that have 10% or more ownership interest in the Development Owner have, or have had, ownership or Control of affordable housing, being housing that receives any form of financing and/or assistance from any Governmental Entity for the purpose of enhancing affordability to persons of low or moderate income, outside the state of Texas, that such Persons have submitted the appropriate "National Previous Participation and Background Certification Form" to the Department. Evidence must be a certification from the Department for each of those Persons required to submit these documents as further described under §~~50.~~49.9(e)(4) of this title. Applicants must request this certification at least seven days prior to the close of the Application Acceptance Period. Applicants must ensure that the Person whose name is on the certification is the appropriate Person appearing in the organizational chart provided in subparagraph (A) of this paragraph.

(E) Evidence, in the form of a certification, that one of the Development Owner's General Partners, the Developer or their Principals have a record of successfully constructing or developing residential units in the capacity of owner, General Partner or Developer. Evidence must be a certification from the Department that the Person with the experience satisfies this exhibit, as further described under subsection (e)(1) of this section. Applicants must request this certification at least seven days prior to the close of the Application Acceptance Period. Applicants must ensure that the Person whose name is on the certification appears in the organizational chart provided in subparagraph (A) of this paragraph.

(10) Evidence of the Development's projected income and operating expenses as described in subparagraphs (A) through (D) of this paragraph:

(A) All Developments must provide a 30-year proforma estimate of operating expenses and supporting documentation used to generate projections (operating statements from comparable properties).

(B) If rental assistance, an operating subsidy, an annuity, or an interest rate reduction payment is proposed to exist or continue for the Development, any related contract or other agreement securing those funds must be provided, which at a minimum identifies the source and annual amount of the funds, the number of Units receiving the funds, and the term and expiration date of the contract or other agreement. [2306.6705(a)~~)~~(4)]

(C) Applicant must provide documentation from the source of the "Utility Allowance" estimate used in completing the Rent Schedule provided in the Application. This exhibit must clearly indicate which utility costs are included in the estimate. If there is more than one entity (Section 8 administrator, public housing authority) responsible for setting the utility allowance(s) in the area of the Development location, then the Utility Allowance selected must be the one which most closely reflects the actual utility costs in that Development area. In this case, documentation from the local utility provider supporting the selection must be provided.

(D) Occupied Developments undergoing rehabilitation must also submit the items described in clauses (i) through (iv) of this subparagraph.

(i) The items in subclauses (I) and (II) of this clause are required unless the current property owner is unwilling to provide the required documentation. In that case, submit a signed statement as to its inability to provide all documentation as described.

(I) Submit at least one of the following:

(-a-) historical monthly operating statements of the subject Development for 12 consecutive months ending not more than 3 months from the first day of the Application Acceptance Period;

(-b-) The two most recent consecutive annual operating statement summaries;

(-c-) the most recent consecutive six months of operating statements and the most recent available annual operating summary;

(-d-) all monthly or annual operating summaries available and a written statement from the seller refusing to supply any other summaries or expressing the inability to supply any other summaries, and any other supporting documentation used to generate projections may be provided; and

(II) a rent roll not more than 6 months old as of the first day the Application Acceptance Period, that discloses the terms and rate of the lease, rental rates offered at the date of the rent roll, Unit mix, tenant names or vacancy, and dates of first occupancy and expiration of lease.

(ii) a written explanation of the process used to notify and consult with the tenants in preparing the Application; [2306.6705(a)(6)]

(iii) a relocation plan outlining relocation requirements and a budget with an identified funding source; and [2306.6705(a)(6)]

(iv) if applicable, evidence that the relocation plan has been submitted to the appropriate legal agency. [2306.6705(a)(6)]

(11) Applications involving Nonprofit General Partners and Qualified Nonprofit Developments.

(A) All Applications involving a nonprofit General Partner, regardless of the Set-Aside applied under, must submit all of the documents described in clauses (i) and (ii) of this subparagraph: [2306.6706]

(i) an IRS determination letter which states that the nonprofit organization is a 501(c)(3) or (4) entity; and

(ii) the "Nonprofit Participation Exhibit."

(B) Additionally, all Applications applying under the Nonprofit Set-Aside, established under §~~50.~~49.7(b)(1) of this title, must also provide the following information with respect to the Qualified Nonprofit Organization as described in clauses (i) through (vi) of this subparagraph.

(i) copy of the page from the articles of incorporation or bylaws indicating that one of the exempt purposes of the nonprofit organization is to provide low income housing;

(ii) copy of the page from the articles of incorporation or bylaws indicating that the nonprofit organization prohibits a member of its board of directors, other than a chief staff member serving concurrently as a member of the board, from receiving material compensation for service on the board;

(iii) a Third Party legal opinion stating:

(I) that the nonprofit organization is not affiliated with or Controlled by a for-profit organization and the basis for that opinion, and

(II) that the nonprofit organization is eligible, as further described, for a Housing Credit Allocation from the Nonprofit Set-Aside and the basis for that opinion. Eligibility is contingent upon the non-profit organization Controlling the Development, or if the organization's Application is filed on behalf of a limited partnership, or limited liability company, the Qualified Nonprofit Organization must be the controlling Managing Member~~being the sole General Partner~~; and otherwise meet the requirements of the Code, §42(h)(5);

(iv) a copy of the nonprofit organization's most recent audited financial statement; and

(v) a certification that the Qualified Nonprofit Development will have the nonprofit entity or its nonprofit affiliate or subsidiary be the Developer or co-Developer as evidenced in the development agreement.

(vi) evidence, in the form of a certification, that a majority of the members of the nonprofit organization's board of directors principally reside:

(I) in this state, if the Development is located in a rural area; or

(II) not more than 90 miles from the Development, if the Development is not located in a rural area.

(12) Applicants applying for acquisition credits, or Applicants and Development Team members affiliated with the seller that are asking for the land value to be an amount greater than the acquisition cost indicated in the original purchase contract, ~~that~~ will be evaluated in accordance with §1.32~~(e)(1)~~ of this title~~,~~ and must provide all of the documentation described in subparagraphs (A) through (C) of this paragraph. Applicants applying for acquisition credits must also provide the items described in subparagraph (D) of this paragraph and as provided in the Application.

(A) an appraisal, not more than 6 months old as of the first day of the Application Acceptance Period, which complies with the Uniform Standards of Professional Appraisal Practice and §1.34 of this title.~~the Department's Market Analysis and Appraisal Policy.~~ For Developments which require an appraisal from TX-USDA-RHS, the appraisal may be more than 6 months old, ~~but not more than 12 months old as of the day the Application Acceptance Period closes and may be provided from~~as long as TX-USDA-RHS has confirmed in writing that the existing appraisal is still acceptable. The appraisal may be submitted as a Supplemental Threshold Report consistent with the timelines and submission documentation requirements identified in paragraph (14)(D) of this subsection. ~~This appraisal of the property must separately state the as-is, pre-acquisition or transfer value of the land and the improvements where applicable;~~

(B) a current valuation report from the county tax appraisal district;

(C) clear identification of the selling Persons, and any owner of the property within the last 36 months prior to the first day of the Application Acceptance Period, and details of any relationship between ~~the seller~~said selling Persons and owners and the Applicant, Developer, Property Manager, General Contractor, ~~or any Affiliation with the Applicant or the Development Owner,~~ Qualified Market Analyst, or any other professional or other consultant performing services with respect to the Development. If any such relationship exists, ~~complete disclosure and documentation of the seller's original acquisition and holding and improvement costs since acquisition, and any and all exit taxes, to justify the proposed sales price must also~~ the following documents must be provided:~~;~~

(i) documentation of the original acquisition cost, such as a settlement statement;

(ii) any other 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 Development, documentation of owning, holding, or improving costs since the original acquisition date may include capitalized costs of improvements to the property, a calculated return on equity at a rate consistent with the historical returns of similar risks, and the cost of exit taxes not to exceed an amount necessary to allow the sellers to be indifferent to foreclosure or breakeven transfer; and

(D) "Acquisition of Existing Buildings Form."

(13) Evidence of an "Acknowledgement of Receipt of Financial Statement and Authorization to Release Credit Information" must be provided for any Person that has 10% or more ownership interest in the Development Owner or General Partner, the Developer, or Guarantor, as required under §~~50.~~49.9(e)(2) of this title. Entities that have not yet been formed and entities that have been formed recently but have no assets, liabilities, or net worth are not required to submit this documentation, but must submit a statement with their Application that this is the case in lieu of submitting the Acknowledgement.

(14) Supplemental Threshold Reports. Documents under subparagraph (A) and (B) of this paragraph must be submitted as further stated in subparagraph (C) and (D) of this paragraph and in accordance with the Market Analysis Rules and Guidelines and Environmental Site Assessment Rules and Guidelines, §§1.33 and 1.35 of this title.

(A) A Phase I Environmental Site Assessment (ESA) on the subject Property, dated not more than 12 months prior to the first day of the Application Acceptance Period. In the event that a Phase I Environmental Site Assessment on the Development is more than 12 months old prior to the first day of the Application Acceptance Period, the Applicant must supply the Department with an updated letter or updated report dated no older than~~at least~~ three months prior to the first day of the Application Acceptance Period from the Person or organization which prepared the initial assessment confirming that the site has been re-inspected and reaffirming the conclusions of the initial report or identifying the changes since the initial report; The ESA must be prepared in accordance with the Department Environmental Site Assessment Rules and Guidelines. Developments whose funds have been obligated by TX-USDA-RHS will not be required to supply this information; however, the Applicants 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.

(B) A comprehensive Market Analysis prepared at the Applicant's expense by a disinterested Qualified Market Analyst approved by the Department in accordance with the approval process outlined in the Market Analysis Rules and Guidelines, §1.33 of this title. In addition to the document submitted in paper form, an electronic version must also be submitted. The Market Analysis must be prepared in accordance with the methodology prescribed in the Market Analysis Rules and Guidelines, §1.33 of this title. In the event that a Market Analysis on the Development is older than 6 months as of the first day of the Application Acceptance Period, the Applicant must supply the Department with an updated Market Analysis from the Person or organization which prepared the initial report; however the Department will not accept any Market Analysis which is more than 12 months old as of the first day of the Application Acceptance Period. The Market Analysis should be prepared for and addressed to the Department. For Applications in the TX-USDA-RHS Set-Aside, the appraisal, required under paragraph (12)(A) of this subsection, will satisfy the requirement for a Market Analysis; no additional Market Analysis is required; however the Department may request additional information as needed. [2306.67055 as added Section 21 of 2306] [§42(m)(1)]

(i) The Department may determine from time to time that information not required in the Department Market Analysis and Appraisal Rules and Guidelines will be relevant to the Department's evaluation of the need for the Development and the allocation of the requested Housing Credit Allocation Amount. The Department may request additional information from the Qualified Market Analyst to meet this need.

(ii) All Applicants acknowledge by virtue of filing an Application that the Department is not bound by any opinion expressed in the Market Analysis and may substitute its own analysis and underwriting conclusions for those submitted by the Qualified Market Analyst.

(C) Inserted at the front of each of these reports must be a transmittal letter from the individual preparing the report that states that the Department is granted full authority to rely on the findings and conclusions of the report.

(D) The requirements for each of the reports identified in subparagraphs (A) and (B) of this paragraph can be satisfied in either of the methods identified in clauses (i) or (ii) of this subparagraph.

(i) Upon Application submission, the documentation for each of these exhibits may be submitted in its entirety as described in subparagraphs (A) and (B) of this paragraph; or

(ii) Upon Application submission, the Applicant may provide evidence in the form of an executed engagement letter with the party performing each of the individual reports that the required exhibit has been commissioned to be performed and that the delivery date will be no later than ~~March 31~~April 1, 2004. In addition to the submission of the engagement letter with the Application, a map must be provided that reflects the Qualified Market Analyst's intended market area. Subsequently, the entire exhibit must be submitted on or before 5:00 p.m. CST, ~~March 31~~April 1, 2004. If the entire exhibit is not received by that time, the Application will be terminated and will be removed from consideration.

(15) Self-Scoring. Applicant's self-score must be completed on the "Application Self-Scoring Form."

(g) **Selection Criteria.** All Applications will be scored and ranked using the point system identified in this subsection. Maximum Total Points: 195.

(1) **Financial Feasibility of the Development.** Financial Feasibility of the Development based on the supporting financial data required in the Application that will include a Development underwriting pro forma from the permanent or construction lender. [2306.6710(b)(1)] Applications may qualify to receive 28 points for this item. Evidence will include the documentation required for this exhibit in addition to the commitment letter required under subsection (f)(7)(C) of this section. The supporting financial data shall include a thirty year pro forma prepared by the permanent or construction lender specifically identifying each of the first ten years and every fifth year thereafter. The pro forma must indicate that the development pro forma maintains a 1.10 debt coverage ratio throughout the initial thirty years proposed. In addition, the commitment letter must state that the lender's assessment finds that the Development will be feasible for thirty years. Points will be awarded if these criteria are met. No partial points will be awarded. For developments receiving financing from TX-USDA-RHS, the form entitled "Sources and Uses Comprehensive Evaluation for Multi-Family Housing Loans" or other form deemed acceptable by the Department shall meet the requirements of this section.

(2) **Quantifiable Community Participation from Neighborhood Organizations on Record with the State or County and Whose Boundaries Contain the Proposed Development Site.** Points will be awarded based on written statements of support or opposition from neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site. [§2306.6710(b)(1); §2306.6725(a)(2)]. It is possible for points to be awarded or deducted based on written statements from organizations that were not identified by the process utilized for notification purposes under subsection (f)(8)(A)(ii)(I) of this section if the organization provides the information and documentation required below. It is also possible that neighborhood organizations that were initially identified as appropriate organizations for purposes of the notification requirements will subsequently be determined by the Department not to meet the requirements for scoring.

(A) Basic Submission Requirements for Scoring. Each neighborhood organization may submit one letter (and enclosures) that represents the organization's input. In order to receive a point score, the letter (and enclosures) must be received by the Department no later than April 1, 2005, directly from the neighborhood organization or with the Application. Letters should be addressed to the Texas Department of Housing and Community Affairs, "Attention: Executive Director (Neighborhood Input)." Letters received after April 1, 2005 will be summarized for the Board's information and consideration, but will not affect the score for the Application. The organization's letter (and enclosures) must:

(i) state the name and location of the proposed Development on which input is provided. A letter may provide input on only one proposed Development; if an organization desires to provide input on additional Developments, each Development must be addressed in a separate letter;

(ii) be signed by the chairman of the board, chief executive officer, or comparable head of the organization, and provide the signer's mailing address, phone number, and an e-mail address or facsimile number for the organization;

(iii) establish that the organization has boundaries, state what the boundaries are, and establish that the boundaries contain the proposed development site;

(iv) establish that the organization is a "neighborhood organization." A "neighborhood organization" is defined as an organization of persons living near one another within the organization's defined boundaries that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood. "Neighborhood organizations" include homeowners associations, property owners associations, and public housing resident councils (for the property occupied by the residents). "Neighborhood organizations" do not include broader based "community" organizations; organizations that have no members other than board members; chambers of commerce; community development corporations; churches; school related organizations; Lions, Rotary, Kiwanis, and similar organizations; Habitat for Humanity; Boys and Girls Clubs; charities; public housing authorities; or any governmental entity. Organizations whose boundaries include an entire county or larger area are not "neighborhood organizations." Organizations whose boundaries include an entire city are generally not "neighborhood organizations."

(v) include documentation showing that the organization is on record as of March 1, 2005 with the state or county in which the Development is proposed to be located. A record from the Secretary of State showing that the organization is incorporated or from the county clerk showing that the organization is on record with the county is sufficient. For a property owners association, a record from the county showing that the organization's management certificate is on record is sufficient. The documentation must be from the state or county and be current. If an organization's status with the Secretary of State at any time in April or May 2005 is shown as "forfeited," "dissolved," or any similar status, the organization will not be considered on record with the state. It is insufficient to be "on record" to provide only a request to the county or a state entity to be placed on record or to show that the organization has corresponded with such an entity or used its services or programs. It is insufficient to show that the organization is on record with a city. As an option to be considered on record with the state, a letter including a contact name with a mailing address and phone number; name and position of officers; and a written description and map of the organization's geographical boundaries must be received by the Department no later than March 1, 2005 to place the organization on record with the state. Acceptance of this documentation by the Department will satisfy the "on record with the state" requirement, but is not a determination that the organization is a "neighborhood organization" or that other requirements are met.

(vi) accurately state that the neighborhood organization was not formed by any Applicant, Developer, or any employee or agent of any Applicant in the 2005 tax credit Application Round and that the organization and any member did not accept money or a gift of more than nominal value to cause the neighborhood organization to take its position of support or opposition.

(vii) state the total number of members of the organization and provide a brief description of the process used to determine the members' position of support or opposition. The organization is encouraged to hold a meeting to which all the members of the organization are invited to consider whether the organization should support, oppose, or be neutral on the proposed Development, and to have the membership vote on whether the organization should support, oppose, or be neutral on the proposed Development. The organization is also encouraged to invite the developer to this meeting.

(B) Scoring of Letters (and Enclosures). To be scored, the letter (and enclosures) must provide "quantifiable" input. The input must clearly and concisely state each reason for the organization's support for or opposition to the proposed Development.

(i) The score for this exhibit will range from a maximum of +24 for the strongest position of support to +12 for the neutral position to 0 for the strongest position of opposition. The number of points to be allocated to each organization's letter will be recommended by the Executive Award and Review Advisory Committee based on the factual basis of the organization's letter and evidence enclosed with the letter. The final score will be determined by the Executive Director. The Department may investigate a matter and contact the Applicant and neighborhood organizations for more information. The Department may consider any relevant information sent to or known to the Department in determining a score.

(ii) The Department highly values quality public input addressed to the merits of a Development. Input that points out possible errors in the Department's analysis and matters that are specific to the neighborhood, the proposed site, the proposed Development, or Developer are valued. If a proposed Development is permitted by the existing or pending zoning or absence of zoning, concerns addressed by the allowable land use that are related to any multifamily development may generally be considered to have been addressed at the local level through the land use planning process. Input concerning positive efforts or the lack of efforts by the Applicant to inform and communicate with the neighborhood about the proposed Development is highly valued. If the neighborhood organization refuses to communicate with the Applicant the efforts of the Applicant will not be considered negative. Input that evidences unlawful discrimination against classes of persons protected by Fair Housing law or the scoring of which the Department determines to be contrary to the Department's efforts to affirmatively further fair housing will not be considered.

(iii) In general, letters that meet the requirements of this paragraph and

(I) establish at least three reasons for support or opposition will be scored the maximum points for either support (+24 points) or opposition (zero);

(II) establish less than three reasons for support or opposition will be scored up to +18 points for support or +6 points for opposition;

(III) establish a minimal reason for support or opposition will be scored +13 points for support or +11 points for opposition;

(IV) that do not establish a reason for support or opposition or that are unclear will be scored as neutral (+12 points).

(iv) Applications for which no letters from neighborhood organizations are scored will receive a neutral score of +12 points.

(C) Basic Submission Deficiencies. The Department is authorized but not required to request that the neighborhood organization provide additional information or documentation the Department deems relevant to clarify information contained in the organization's letter (and enclosures). If the Department determines to request additional information from an organization, it will do so by e-mail or facsimile to the e-mail address or facsimile number provided with the organization's letter. If the deficiencies are not clarified or corrected in the Department's determination within seven business days from the date the e-mail or facsimile is sent to the organization, the organization's letter will not be considered further for scoring and the organization will be so advised. This potential deficiency process does not extend any deadline required above for the "Quantifiable Community Participation" process. An organization may not submit additional information or documentation after the April 1, 2005 deadline except in response to an e-mail or facsimile from the Department specifically requesting additional information.

(3) **The Income Levels of Tenants of the Development.** Applications may qualify to receive up to 22 points for qualifying under only one of subparagraphs (A) through (C) of this paragraph. To qualify for these points, the tenant incomes must not be higher than permitted by the AMGI level. The Development Owner, upon making selections for this exhibit, will set aside Units at the levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA. These income levels require rent levels that do not exceed 30% of the income limitation in accordance with §42(g). [2306.6710(b)(1)(C); 2306.111(g)(3)(B); 2306.6710(e); 42(m)(1)(B)(ii)(I); 2306.111(g)(3)(E)]

(A) 22 points if at least 80% of the Total Units in the Development are set-aside with incomes at or below 50% of AMGI; or

(B) 22 points if at least 10% of the Total Units in the Development are set-aside with incomes at or below 30% of AMGI; or

(C) 18 points if at least 40% of the Total Units in the Development are set-aside with incomes at or below a combination of 50% and 30% of AMGI in which at least 5% of the Total Units are at or below 30% of AMGI.

(4) **The Size and Quality of the Units (Development Characteristics).** Applications may qualify to receive up to 20 points. Applications may qualify for points under both subparagraphs (A) and (B) of this paragraph. [2306.6710(b)(1)(D); 2306.6725(b)(1); 42(m)(1)(C)]]

(A) Size of the Units. Applications may qualify to receive 6 points. The Development must meet the minimum requirements identified in this subparagraph to qualify for points. Six points for this item will be automatically granted for Applications involving rehabilitation, Developments receiving funding from TX-USDA-RHS, or Developments proposing single room occupancy without meeting these square footage minimums. The square feet of all of the Units in the Development, for each type of Unit, must be at least the minimum noted below.

(i) 500 square feet for an efficiency unit;

(ii) 650 square feet for a non-elderly one bedroom unit; 550 square feet for an elderly one bedroom unit;

(iii) 900 square feet for a non-elderly two bedroom unit; 750 square feet for an elderly two bedroom unit;

(iv) 1,000 square feet for a three bedroom unit; and

(v) 1,200 square feet for a four bedroom unit.

(B) Quality of the Units. Applications may qualify to receive up to 14 points. Applications in which Developments provide specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure provided in clauses (i) through (xix) of this subparagraph, not to exceed 14 points in total. Applications involving rehabilitation or single room occupancy may double the points listed for each item, not to exceed 14 points in total.

(i) Covered entries (1 point);

(ii) Nine foot ceilings (1 point);

(iii) Microwave ovens (1 point);

(iv) Self-cleaning or continuous cleaning ovens (1 point);

(v) Ceiling fixtures in all rooms (light with ceiling fan in all bedrooms) (1 point);

(vi) Refrigerator with icemaker (1 point);

(vii) Laundry connections (2 points);

(viii) Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets – does not need to be in the Unit but must be on the property site (1 point);

(ix) Laundry equipment (washers and dryers) for each individual unit (3 points);

(x) Thirty year architectural shingle roofing (1 point);

(xi) Covered patios or covered balconies (1 point);

(xii) Covered parking (including garages) of at least one covered space per Unit (2 points);

(xiii) 100% masonry on exterior, which can include stucco and cementitious board products, excluding EFIS(3 points);

(xiv) Greater than 75% masonry on exterior, which can include stucco and cementitious board products, excluding EFIS (1 points);

(xv) Use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 (3 points).

(xvi) R-15 Walls / R-30 Ceilings (rating of wall system) (3 points);

(xvii) 14 SEER HVAC or evaporative coolers in dry climates (3 points);[WG]

(xviii) Energy Star or equivalently rated kitchen appliances (2 points) ; or

(xix) High Speed Internet service to all Units at no cost to residents (2 points).

(5) **The Commitment of Development Funding by Local Political Subdivisions**. Applications may qualify to receive up to 18 points for qualifying under only one of subparagraphs (A) or (B) of this paragraph. [2306.6710(b)(1)(E)]

(A) Evidence that the proposed Development has received an allocation of funds for on-site development costs from a local political subdivision. In addition to loans or grants, in-kind contributions such as donation of land or waivers of fees such as building permits, water and sewer tap fees, or similar contributions that benefit the Development will be acceptable to qualify for these points. Points will be determined on a sliding scale based on the amount per Unit. The Development must have already applied for funding from the funding entity. Evidence to be submitted with the Application must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. At the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment for the sufficient local funding to the Department. If the funding commitment from the local political subdivision has not been received by the date the Department's Commitment Notice is to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated. Use normal rounding. No funds from TDHCA's HOME (with the exception of Developments located in non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category.

(i) A contribution of $500 to $1,000 per Low Income Unit receives 6 points; or

(ii) A contribution of $1,001 to $3,500 per Low Income Unit receives 12 points; or

(iii) A contribution of $3,501 or more per Low Income Unit receives 18 points; or

(B) Evidence that the proposed Development will receive development-based Housing Choice or rental assistance vouchers from a local political subdivision for a minimum of five years. Evidence at the time the Application is submitted must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. At the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment for the vouchers to the Department. If the funding commitment from the local political subdivision has not been received by the date the Department's Commitment Notice is to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the local political subdivision's funds, the Commitment Notice will be rescinded and the credits reallocated. No funds from the Department's HOME (with the exception of Developments located in non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. Use normal rounding. HUD must approve the vouchers no later than the time the 10% Test Documentation is submitted to the Department or the Commitment will be rescinded.

(i) Development-Based Vouchers for 3% to 5% of the total Units receives 6 points; or

(ii) Development-Based Vouchers for 6% to 8% of the total Units receives 12 points; or

(iii) Development-Based Vouchers for 9% or more of the total Units receives 18 points.

(6) **The Level of Community Support from State Elected Officials.** The level of community support for the application, evaluated on the basis of written statements from state elected officials. [2306.6710(b)(1)(F); 2306.6725(a)(2)] Applications may qualify to receive up to 14 points for this item. Points will be awarded based on the written statements of support or opposition from state elected officials representing constituents in areas that include the location of the Development. Letters of support must identify the specific Development and must clearly state support for or opposition to the specific Development. This documentation will be accepted with the Application or through delivery to the Department from the Applicant or official by April 1, 2005. Officials to be considered are those officials in office at the time the Application is submitted. Letters of support from state officials that do not represent constituents in areas that include the location of the Development will not qualify for points under this Exhibit. Neutral letters, or letters that do not specifically refer to the Development, will receive neither positive nor negative points. Letters from State of Texas Representative or Senator: support letters are 7 points each for a maximum of 14 points; opposition letters are -7 points each for a maximum of -14 points.

(7) **The Rent Levels of the Units.** Applications may qualify to receive 12 points for qualifying under this exhibit. [2306.6710(b)(1)(G)] Applicants will be eligible for the points by committing to make all low income rents 10% less than the maximum tax credit rents for the income level specified in the Rent Schedule. The calculation for these points will be made based on the figures provided in the Rent Schedule submitted with the Application. All representations made will be included in the LURA.

(8) **The Cost of the Development by Square Foot (Development Characteristics).** Applications may qualify to receive 10 points for this item. [2306.6710(b)(1)(H); 42(m)(1)(C)] For this exhibit, costs shall be defined as construction costs, including site work, contingency, contractor profit, overhead and general requirements, as represented in the Development Cost Schedule. This calculation does not include indirect construction costs. The calculation will be costs per square foot of net rentable area (NRA). The calculations will be based on the cost listed in the Development Cost Schedule and NRA shown in the Rent Schedule of the Application. Developments qualify for 10 points if their costs do not exceed $73 per square foot for Qualified Elderly and Transitional Developments and $64 for all other Developments. (10 points)

(9) **The Services to be Provided to Tenants of the Development.** Applications may qualify to receive up to 8 points. Applications may qualify for points under both subparagraphs (A) and (B) of this paragraph. [2306.6710(b)(1)(I); 2306.254; 2306.6725(a)(1); Rider 6 of Appropriations]

(A) Applicants will receive points for coordinating their tenant services with those services provided through state workforce development and welfare programs as evidenced by execution of a Tenant Supportive Services Certification (2 points).

(B) The Applicant must certify that the Development will provide a combination of special supportive services appropriate for the proposed tenants. The provision of supportive services will be included in the LURA as selected from the list of services identified in this subparagraph. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to off-site services must be provided (maximum of 6 points).

(i) Applications will be awarded points for selecting services listed in clause (ii) of this subparagraph based on the following scoring range:

(I) Two points will be awarded for providing one of the services; or

(II) Four points will be awarded for providing two of the services; or

(III) Six points will be awarded for providing three of the services.

(ii) Service options include child care; transportation; basic adult education; legal assistance; counseling services; GED preparation; English as a second language classes; vocational training; home buyer education; credit counseling; financial planning assistance or courses; health screening services; health and nutritional courses; organized team sports programs or youth programs; scholastic tutoring; any other programs described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families; any services addressed by §2306.254 Texas Government Code; or any other services approved in writing by the Department.

(10) **Housing Needs Characteristics.** [42(m)(1)(C)(ii)] Applications may qualify to receive up to 7 points. Each Application, based on the place or county where the Development is located, will receive a score based on the Uniform Housing Needs Scoring Component. If a Development is in a place, the place score will be used. If a Development is not within a place, then the county score will be used. The Uniform Housing Needs Scoring Component scores for each place and county will be published in the Reference Manual.

(11) **Development Includes the Use of Existing Housing as part of a Community Revitalization Plan (Development Characteristics).** Applications may qualify to receive 7 point for this item. [42(m)(1)(C)(iii)] The Development is an existing Residential Development and the proposed rehabilitation is part of a community revitalization plan.

(12) **Pre-Application Participation Incentive Points.** [2306.6704] Applications which submitted a Pre-Application during the Pre-Application Acceptance Period and meet the requirements of this paragraph will qualify to receive 6 points for this item. To be eligible for these points, the Application must:

(A) be for the identical site as the proposed Development in the Pre-Application;

(B) have met the Pre-Application Threshold Criteria;

(C) be serving the same target population (family, elderly, and transitional) as in the Pre-Application;

(D) be serving the same target Set-Asides as indicated in the Pre-Application (Set-Asides can be dropped between Pre-Application and Application, but no Set-Asides can be added); and

(E) be awarded by the Department an Application score that is not more than 5% greater or less than the number of points awarded by the Department at Pre-Application, with the exclusion of points for support and opposition under subsections (g)(2) and (g)(6) of this title. An Applicant must choose, at the time of Application either clause (i) or (ii) of this subparagraph:

(i) to request the Pre-Application points and have the Department cap the Application score at no greater than the 5% increase regardless of the total points accumulated in the scoring evaluation. This allows an Applicant to avoid penalty for increasing the point structure outside the 5% range from Pre-Application to Application; or

(ii) to request that the Pre-Application points be forfeited and that the Department evaluate the Application as requested in the self-scoring sheet.

(13) **Development Location.** [2306.6725(a)(4) and (b)(2); 2306.127; 42(m)(1)(C)(i); 42 U.S.C. 3608(d) and (e)(5)] Applications may qualify to receive 4 points. Evidence, not more than 6 months old from the date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) through (H) of this paragraph. Areas qualifying under any one of the subparagraphs (A) through (H) of this paragraph will receive 4 points. An Application may only receive points under one of the subparagraphs (A) through (H) of this paragraph.

(A) A geographical area which is an Economically Distressed Area; a Colonia; or a Difficult Development Area (DDA) as specifically designated by the Secretary of HUD.

(B) a designated state or federal empowerment/enterprise zone, urban enterprise community, or urban enhanced enterprise community. Such Developments must submit a letter and a map from a city/county official verifying that the proposed Development is located within such a designated zone. Letter should be no older than 6 months from the first day of the Application Acceptance Period.

(C) a city or county-sponsored area or zone where a city or county has, through a local government initiative, specifically encouraged or channeled growth, neighborhood preservation, or redevelopment. Such Developments must submit all of the following documentation: a letter from a city/county official verifying that the proposed Development is located within the city or county-sponsored zone or district; a map from the city/county official which clearly delineates the boundaries of the district; and a certified copy of the appropriate resolution or documentation from the mayor, local city council, county judge, or county commissioners court which documents that the designated area was created by the local city council/county commission, and targets a specific geographic area which was not created solely for the benefit of the Applicant.

(D) the Development is located in a census tract which has a median family income (MFI), as published by the United States Bureau of the Census (U.S. Census), that is higher than the median family for the county in which the census tract is located. This comparison shall be made using the most recent data available as of the date the Application Round opens the year preceding the applicable program year. Developments eligible for these points must submit evidence documenting the median income for both the census tract and the county.

(E) the Development is located in a census tract in which there are no other existing developments supported by housing tax credits. Applicant must provide evidence. [2306.6725(b)(2)]

(F) the Development is located in a county that has received an award as of November 15, 2004, within the past three years, from the Texas Department of Agriculture's Rural Municipal Finance Program or Real Estate Development and Infrastructure Program. Cities which have received one of these awards are categorized as awards to the county as a whole so Developments located in a different city than the city awarded, but in the same county, will still be eligible for these points.

(G) That the proposed Development will serve families with children (at least 70% of the Units must have two bedrooms or more) and is proposed to be located in an elementary school attendance zone of an elementary school that has an academic rating of "Exemplary" or "Recognized," or comparable rating if the rating system changes. The date for consideration of the attendance zone is that in existence as of the opening date of the Application Round and the academic rating is the most current rating determined by the Texas Education Agency as of that same date. [42(m)(1)(C)(vii)]

(H) That the proposed Development will expand affordable housing opportunities for low income families with children outside of poverty areas. This must be demonstrated by showing that the Development will serve families with children (at least 70% of the Units must have two bedrooms or more) and that the census tract in which the Development is proposed to be located has no greater than 10% poverty population according to the most recent census data. [42(m)(1)(C)(vii)]

(14) **Tenant Populations with Special Housing Needs.** Applications may qualify to receive 4 points for this item. [42(m)(1)(C)(v)] Evidence that the Development is designated for transitional housing for homeless persons on a non-transient basis, with supportive services designed to assist the homeless tenants in locating and retaining permanent housing. For the purpose of this exhibit, homeless persons are individuals or families that lack a fixed, regular, and adequate nighttime residence as more fully defined in 24 Code of Federal Regulations, §91.5, as may be amended from time to time. All of the items described in subparagraphs (A) through (E) of this paragraph must be submitted. If all Units in the Development are designed solely for transitional housing for homeless persons, 4 points will be awarded.

(A) a detailed narrative describing the type of proposed housing;

(B) a referral agreement, not more than 12 months old from the first day of the Application Acceptance Period, with an established organization which provides services to the homeless;

(C) a marketing plan designed to attract qualified tenants and housing providers;

(D) a list of supportive services; and

(E) adequate additional income source to supplement any anticipated operating and funding gaps.

(15) **Length of Affordability Period.** Applications may qualify to receive up to 4 points. [2306.6725(a)(5); 2306.111(g)(3)(C); 2306.185(a)(1); 2306.6710(e)(2); 42(m)(1)(B)(ii)(II)] In accordance with the Code, each Development is required to maintain its affordability for a 15-year compliance period and, subject to certain exceptions, an additional 15-year extended use period. Development Owners that are willing to extend the affordability period for a Development beyond the 30 years required in the Code may receive points as follows:

(A) Add 5 years of affordability after the extended use period for a total affordability period of 35 years (2 points); or

(B) Add 10 years of affordability after the extended use period for a total affordability period of 40 years (4 points)

(16) **Qualified Census Tracts with Revitalization.** Applications may qualify to receive 2 points for this item. [42(m)(1)(B)(ii)(III)] Applications will receive the points for this item if the Development is located within a Qualified Census Tract and contributes to a concerted community revitalization plan. Evidence of the community revitalization plan must be provided.

(17) **Sponsor Characteristics.** Applications may qualify to receive 2 points for this item. [42(m)(1)(C)(iv)] Evidence that a HUB, as certified by the Texas Building and Procurement Commission, has at least 51% ownership interest in and materially participates in the Development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Building and Procurement Commission that the Person is a HUB at the close of the Application Acceptance Period and has been a HUB for at least five years from the date the Application Cycle opens.

(18) **Projects Intended for Eventual Tenant Ownership - Right of First Refusal.** Applications may qualify to receive 1 point for this item. [2306.6725(b)(1)] [42(m)(1)(C)(viii)] Evidence that Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization, the Department, or either an individual tenant with respect to a single family building, or a tenant cooperative, a resident management corporation in the Development or other association of tenants in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization"). Development Owner may qualify for these points by providing the right of first refusal in the following terms.

(A) Upon the earlier to occur of:

(i) the Development Owner's determination to sell the Development, or

(ii) the Development Owner's request to the Department, pursuant to §42(h)(6)(E)(II) of the Code, to find a buyer who will purchase the Development pursuant to a "qualified contract" within the meaning of §42(h)(6)(F) of the Code, the Development Owner shall provide a notice of intent to sell the Development ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Development Owner determines that it will sell the Development at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period. If the Development Owner determines that it will sell the Development at some point later than the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to date upon which the Development Owner intends to sell the Development.

(B) During the two years following the giving of Notice of Intent, the Sponsor may enter into an agreement to sell the Development only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:

(i) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department,

(ii) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and

(iii) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.

(iv) If, during such two-year period, the Development Owner shall receive an offer to purchase the Development at the Minimum Purchase Price from one of the organizations designated in clauses (i) through (iii) of this subparagraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to such organization. If, during such period, the Development Owner shall receive more than one offer to purchase the Development at the Minimum Purchase Price from one or more of the organizations designated in clauses (i) through (iii) of this subparagraph (within the period(s) appropriate to such organizations), the Development Owner shall sell the Development at the Minimum Purchase Price to whichever of such organizations it shall choose.

(C) After whichever occurs the later of:

(i) the end of the Compliance Period; or

(ii) two years from delivery of a Notice of Intent,

the Development Owner may sell the Development without regard to any right of first refusal established by the LURA if no offer to purchase the Development at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or a period of 120 days has expired from the date of acceptance of all such offers as shall have been received without the sale having occurred, provided that the failure(s) to close within any such 120-day period shall not have been caused by the Development Owner or matters related to the title for the Development.

(D) At any time prior to the giving of the Notice of Intent, the Development Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Development for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Development by such organization in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(E) The Department shall, at the request of the Development Owner, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Development at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.

(F) The Department shall have the right to enforce the Development Owner's obligation to sell the Development as herein contemplated by obtaining a power-of-attorney from the Development Owner to execute such a sale or by obtaining an order for specific performance of such obligation or by such other means or remedy as shall be, in the Department's discretion, appropriate.

(19) **Leveraging of Private, State, and Federal Resources.** Applications may qualify to receive 1 point for this item. [2306.6725(a)(3)] Evidence that the proposed Development has received an allocation of private, state or federal resources, including HOPE VI funds, that is equal to or greater than 2% of the Total Development costs reflected in the Application. The Development must have already applied for funding from the funding entity. Evidence to be submitted with the Application must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. At the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment for the sufficient financing to the Department. If the funding commitment from the private, state or federal source has not been received by the date the

Department's Commitment Notice is to be submitted, the Application will be evaluated to determine if the loss of these points would have resulted in the Department's not committing the tax credits. If the loss of points would have made the Application noncompetitive, the Commitment Notice will be rescinded and the credits reallocated. If the Application would still be competitive even with the loss of points and the loss would not have impacted the recommendation for an award, the Application will be reevaluated for financial feasibility. If the Application is infeasible without the commitment from the private, state or federal source, the Commitment Notice will be rescinded and the credits reallocated. Use normal rounding. Funds from the Department's HOME and Housing Trust Fund sources will only qualify under this category if there is a NOFA out for available funds and the Applicant is eligible under that NOFA.

(20) **Third-Party Funding Commitment Outside of Qualified Census Tracts.** Applications may qualify to receive 1 point for this item. [2306.6710(e)(1)] Evidence that the proposed Development has documented and committed third-party funding sources and the Development is located outside of a Qualified Census Tract. The commitment of funds must already have been received from the third-party funding source and must be equal to or greater than 2% of the Total Development costs reflected in the Application. Use normal rounding. Funds from the Department's HOME and Housing Trust Fund sources will not qualify under this category.

(21) **Scoring Criteria Imposing Penalties.** [2306.6710(b)(2)]

(A) Penalties will be imposed on an Application if the Applicant has requested an extension of a Department deadline, and did not meet the original submission deadline, relating to developments receiving a housing tax credit commitment made in the application round preceding the current round. The extension that will receive a penalty is an extension related to the submission of the carryover. For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline. Subsequent extension requests after the first extension request made for each development from the preceding round will not result in a further point reduction than already described. No penalty points or fees will be deducted for extensions that were requested on Developments that involved rehabilitation when the Department is the primary lender, or for Developments that involve TX-USDA-RHS as a lender if TX-USDA-RHS or the Department is the cause for the Applicant not meeting the deadline.

(B) Penalties will be imposed on an Application if the Developer or Principal of the Applicant has been removed by the lender, equity provider, or limited partners in the past five years for failure to perform its obligations under the loan documents or limited partnership agreement. An affidavit will be provided by the Applicant and the Developer certifying that they have not been removed as described, or requiring that they disclose each instance of removal with a detailed description of the situation. If an Applicant or Developer submits the affidavit, and the Department learns at a later date that a removal did take place as described, then the Application will be terminated and any Allocation made will be rescinded. The Applicant, Developers or Principals of the Applicant that are in court proceedings at the time of Application must disclose this information and the situation will be evaluated on a case-by-case basis. 3 points will be deducted for each instance of removal.

~~(g) **Selection Criteria.** All Applications will be evaluated and ranking points will be assigned according to the Selection Criteria listed in paragraphs (1) through (18) of this subsection.~~

~~(1) Development Financial Feasibility. Applications will receive points based on the supporting financial data provided behind this exhibit in addition to the commitment letter required under subsection (f)(7)(C) of this section. The supporting financial data shall include a thirty year pro forma prepared by the permanent or construction lender specifically identifying each of the first ten years and every fifth year thereafter. The commitment letter must include the anticipated total operating expenses, net operating income and debt service for the first year of stabilized operation as reflected in the pro forma. The pro forma must indicate, and the commitment letter must confirm, that the development pro forma maintains a 1.10 debt coverage ratio throughout the initial thirty years proposed. In addition, the commitment letter must state that the lenders assessment finds that the Development will be feasible for thirty years. Points will be awarded if these criteria are met. No partial points will be awarded. For developments receiving financing from TX-USDA-RHS, the form entitled "Sources and Uses Comprehensive Evaluation for Multi-Family Housing Loans" shall meet the requirements of this section. (28 points). [2306.6710(b)(1)]~~

~~(2) Quantifiable Community Participation from Neighborhood Organizations. [2306.6710(b)(1); 2306.6725(a)(2)] Points will be awarded based on written statements of support or opposition from neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site.~~

~~(A) Receipt of Input. Letters must be received by the Department no later than April 30, 2004, and only, for scoring purposes, directly from neighborhood organizations or with the Application. Letters must be~~

~~addressed to the Texas Department of Housing and Community Affairs, "Attention: Director of Multifamily Finance Production Division (Neighborhood Input)". Letters received after April 30, 2004 will be summarized and provided for the Board's information and consideration, but will not affect the score for the Application. Separate from scoring, the Department urges all persons and organizations that wish to provide input to the Department to do so well before (and, preferably earlier than ten days before) the day of a Board meeting when a final decision must be made so the input may be carefully considered. Board decisions often cannot be delayed and late input is difficult for the Board and Department to fully consider.~~

~~(B) Neighborhood Organizations. For the purposes of the scoring of this exhibit, neighborhood organizations are organizations that are on record with the county or state in which the development is proposed to be located as of March 1 of the application year and that have a primary purpose of working to affect matters related to the welfare of the neighborhood that contains the proposed development site, not including governmental entities.~~

~~(C) Scoring of Input. For scoring purposes, each neighborhood organization may submit one letter that represents the organization's input. The letter must identify the specific Development and be signed by the chairman of the board, chief executive office or comparable head of the organization and include the signer's address and phone number. The letter must state and provide documentation which shows that it is from a neighborhood organization; that it is on record with the state or county in which the Development is proposed to be located; and that the organization's boundaries contain the proposed Development site. The letter must also provide the total number of members of the organization and a brief description of the process used to determine the members' position. To be accurately scored, the letter must clearly and concisely state each reason for the organization's support for or opposition to the proposed Development and provide specific evidence supporting that input. It is possible for points to be awarded or deducted based on written statements from organizations that were not identified by the city and county clerks under subsection (f)(8)(B)(ii)(I) of this section, if the organization provides evidence that the proposed Development site is within the organization's boundaries and that it is on record with the county or state. It is also possible that neighborhood organizations that were initially identified as appropriate organizations for purposes of the notification requirements will subsequently be determined by the Department not to meet the requirements for scoring.~~

~~(i) Applicants that accurately certify that they do not know of any neighborhood organizations that are on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development, and for which no letters were received, will be awarded the higher of zero points or the average number of points received by all Applications for this exhibit.~~

~~(ii) The score for this exhibit will range from a maximum of +12 points to -12 points and the number of points to be allocated to each organization's letter will be determined by the Executive Award and Review Advisory Committee based on the factual basis of the written statements and evidence from the neighborhood organizations. The Department may investigate a matter and contact the Applicant and neighborhood organizations for more information.~~

~~(D) Evaluation of Basis of Input. The Department highly values quality public input addressed to the merits of a Development. Input that points out possible errors in the Department's analysis and matters that are specific to the neighborhood, the proposed site, the proposed Development, or Developer are valued. If a proposed Development is permitted by the existing or pending zoning or absence of zoning, concerns addressed by the allowable land use that are related to any multifamily development may generally be considered to have been addressed at the local level through the land use planning process. Input that evidences unlawful discrimination against classes of persons protected by Fair Housing law will not be considered. To protect the integrity of the Department's processes and decisions, evidence of false statements or misrepresentations from applicant representatives, neighborhood representatives, or other persons will be considered for appropriate action, including possible referral to local district and county attorneys. 2306.6725(a)(2)~~

~~(3) Development Location Characteristics. [2306.6725(a)(4)] Evidence, not more than 6 months old from the date of the close of the Application Acceptance Period, that the subject Property is located within one of the geographical areas described in subparagraphs (A) through (F) of this paragraph. Areas qualifying under any one of the subparagraphs (A) through (F) of this paragraph will receive 5 points. An Application may only receive points under one of the subparagraphs (A) through (F) of this paragraph. An Application may receive an additional ten points pursuant to subparagraph (G) of this paragraph in addition to any points awarded in subparagraphs (A) through (F) of this paragraph.~~

~~(A) A geographical area which is:~~

~~(i) an Economically Distressed Area; or~~

~~(ii) a Colonia, or~~

~~(iii) a Difficult Development Area (DDA) as specifically designated by the Secretary of HUD.~~

~~(B) a designated state or federal empowerment/enterprise zone, urban enterprise community, or urban enhanced enterprise community. Such Developments must submit a letter and a map from a city/county~~

~~official verifying that the proposed Development is located within such a designated zone. Letter should be no older than 6 months from the first day of the Application Acceptance Period.~~

~~(C) a city-sponsored area or zone where a city or county has, through a local government initiative, specifically encouraged or channeled growth, neighborhood preservation or redevelopment. Such Developments must submit all of the following documentation: a letter from a city/county official verifying that the proposed Development is located within the city sponsored zone or district; a map from the city/county official which clearly delineates the boundaries of the district; and a certified copy of the appropriate resolution or documentation from the mayor, local city council, county judge, or county commissioners court which documents that the designated area was:~~

~~(i) created by the local city council/county commission, and~~

~~(ii) targets a specific geographic area which was not created solely for the benefit of the Applicant.(D) the Development is located in a census tract in which has a median family income (MFI), as published by the United States Bureau of the Census (U.S. Census), that is higher than the MFI for the county in which the census tract is located, as established by HUD. This comparison shall be made using the most recent data available from both sources as of as of October 1 of the year preceding the applicable program year. In those years when the U.S. Census does not publish median family income information at the census tract level, the most recent U.S. Census MFI available for the tract shall be multiplied by the change between HUD's published data for the county MFI as of the year in which the Census MFI was published and the county MFI as of October 1 of the year preceding the applicable program year. Developments eligible for these points must submit evidence documenting the median income for both the census tract and the county.~~

_~~(E) the Development is located in a census tract in which there are no other existing developments supported by housing tax credits. [2306.6725]~~

~~(F) the Development is located in a county that has received an award as of November 15, 2003, within the past three years, from the Texas Department of Agriculture's Rural Municipal Finance Program or Real Estate Development and Infrastructure Program. Cities which have received one of these awards are categorized as awards to the county as a whole so Developments located in a different city than the city awarded, but in the same county, will still be eligible for these points.~~

~~(G) the Development is located in an incorporated city that is not a Rural Area but has a population no greater than 100,000 based on the most current available information published by the United States Bureau of the Census as of October 1 of the year preceding the applicable program year. The Development can not exceed 100 Units to qualify for these points. (7 points)~~

~~(4) Site Location Characteristics. Sites will be evaluated based on proximity to amenities, the presence of positive site features and the absence of negative site features. Sites will be rated based on the criteria below.~~

~~(A) Proximity of site to amenities. Developments located on sites within a one mile radius (two-mile radius for Developments competing for a Rural Regional Allocation) of at least three services appropriate to the target population will receive five points. A site located within one-quarter mile of public transportation or located within a community that has "on demand" transportation, or specialized elderly transportation for Qualified Elderly Developments, will receive full points regardless of the proximity to amenities, as long as the Applicant provides appropriate evidence of the transportation services used to satisfy this requirement. If a Qualified Elderly Development is providing its own specialized van service, then this will be a requirement of the LURA. Only one service of each type listed below will count towards the points. A map must be included identifying the development site and the location of the services, as well as written directions from the site to each service. The services must be identified by name on the map and in the written directions. If the services are not identified by name, points will not be awarded. All services must exist or, if under construction, must be at least 50% complete by the date the Application is submitted. (5 points)~~

_~~(i) Full service grocery store or supermarket~~
~~(ii) Pharmacy~~
~~(iii) Convenience Store/Mini-market~~
~~(iv) Department or Retail Merchandise Store~~
~~(v) Bank/Credit Union~~
~~(vi) Restaurant (including fast food)~~
~~(vii) Indoor public recreation facilities, such as civic centers, community centers, and libraries~~
~~(viii) Outdoor public recreation facilities such as parks, golf courses, and swimming pools~~
~~(ix) Hospital/medical clinic~~
~~(x) Doctor's offices (medical, dentistry, optometry)~~
~~(xi) Public Schools (only eligible for Developments that are not Qualified Elderly Developments)~~
~~(xii) Senior Center (only eligible for Qualified Elderly Developments)~~

~~(B) Negative Site Features. Sites with the following negative characteristics will have points deducted from their score. For purpose of this exhibit, the term 'adjacent' is interpreted as sharing a boundary with the Development site. The distances are to be measured from all boundaries of the Development site. Applicants must indicate on a map the location of any negative site feature, with the exception of slope which must be documented with an engineer's certificate to ensure that points are not deducted. If an Applicant negligently fails to note a negative feature, double points will be deducted from the score or the Application may be terminated. If none of these negative features exist, the Applicant must sign a certification to that effect. (-7 points)~~

~~(i) Developments located adjacent to or within 300 feet of junkyards will have 1 point deducted from their score.~~

~~(ii) Developments located adjacent to or within 300 feet of active railroad tracks will have 1 point deducted from their score. Rural Developments funded through TX-USDA-RHS are exempt from this point deduction.~~

~~(iii) Developments located adjacent to or within 300 feet of an Interstate Highway including frontage and service roads will have 1 point deducted from their score.~~

~~(iv) Developments located adjacent to or within 300 feet of heavy industrial uses such as manufacturing plants will have 1 point deducted from their score.~~

~~(v) Developments located adjacent to or within 300 feet of a solid waste or sanitary landfills will have 1 point deducted from their score.~~

~~(vi) Developments located adjacent to or within 100 feet of high voltage transmission power lines will have 1 point deducted from their score.~~

~~(5) Housing Needs Characteristics. Each Application, dependent on the city or county where the Development is located, will yield a score based on the Uniform Housing Needs Scoring Component. If a Development is in an incorporated city, the city score will be used. If a Development is outside the boundaries of an incorporated city, then the county score will be used. The Uniform Housing Needs Scoring Component scores for each city and county will be published in the Reference Manual. (7 points maximum). [2306.6725(a)(4)]~~

~~(6) Support and Consistency with Local Planning. All documents must not be older than 6 months from the first day of the Application Acceptance Period. Points may be received under any of subparagraphs (A) through (C) of this paragraph.~~

~~(A) Evidence from the local municipal authority stating that the Development fulfills a need for additional affordable rental housing as evidenced in a local consolidated plan, comprehensive plan, or other local planning document; or a letter from the local municipal authority stating that there is no local plan and that the city supports the Development (3 points).~~

~~(B) Evidence that the Applicant has hosted a public meeting to which the neighborhood and other interested persons have been invited. Evidence must include copies of the method of notification used and a transcript of the meeting, as well as a list of meeting attendees. (6 points).~~

~~(C) Community Support from Elected Officials. Points will be awarded based on the written statements of support or opposition from local and state elected officials representing constituents in areas that include the location of the Development. Letters of support must identify the specific Development and must clearly state support or opposition of the specific Development at the proposed location. This documentation will be accepted with the Application or through delivery to the Department from the Applicant or official no later than May 31, 2004. Letters received after May 31, 2004 will be summarized for the Board in the board summary provided by staff, but will not affect the score of the Application. Officials to be considered are those officials in office at the time the Application is submitted. Letters of support from state officials that do not represent constituents in areas that include the location of the Development will not qualify for points under this Exhibit. Points can be awarded for letters of support or opposition as identified in clauses (i) through (iii) of this subparagraph, not to exceed a total of 9 points. Neutral letters, or letters that do not specifically refer to the Development, will receive neither positive nor negative points. The Governing Board has directed the Department to request an opinion from the Attorney General on whether recent legislation permits scoring for input from officials other than state officials. If the Attorney General renders an opinion that only input from state officials may be scored, then city and county input will not be scored." [2306.6710(b)(1); [2306.6725(a)(2)] (i) from State of Texas Representative or Senator (support letters are 3 points each, maximum of 6 points; opposition letters are -3 points each, maximum of -6 points); and~~

~~(ii) from the Mayor, City Council member for the area, County Judge, County Commissioner for the area, or a resolution from the City Council or County Commission (support letters or resolutions are 3 points each, maximum of 3 points; opposition letters or resolutions are -3 points each, maximum of -3 points).~~

~~(7) Development Characteristics. Applications may receive points under as many of the following subparagraphs as are applicable; however to qualify for points under this paragraph, the Development must first~~

~~meet the minimum requirements identified under subparagraph (A) of this paragraph, unless otherwise provided in the particular subparagraph. This minimum requirement does not apply to Applications involving rehabilitation, Developments receiving funding from TX-USDA-RHS, or Developments proposing single room occupancy.~~

~~(A) Unit Size. [2306.6710(b)(1)] The square feet of all of the Units in the Development, for each type of Unit, must be at minimum:~~

~~(i) 500 square feet for an efficiency unit;~~

~~(ii) 650 square feet for a non-elderly one bedroom unit; 550 square feet for an elderly one bedroom unit;~~

~~(iii) 900 square feet for a two bedroom unit; 750 square feet for an elderly two bedroom unit; and~~

~~(iv) 1,000 square feet for a three bedroom unit.~~

~~(B) Cost per Square Foot. For this exhibit, costs shall be defined as construction costs, including site work, contingency, contractor profit, overhead and general requirements, as represented in the Development Cost Schedule. This calculation does not include indirect construction costs. The calculation will be costs per square foot of net rentable area (NRA). The calculations will be based on the cost listed in the Development Cost Schedule and NRA shown in the Rent Schedule of the Application. Developments do not exceed $73 per square foot for Qualified Elderly and Transitional Developments, and $62 for all other Developments. (9 points). [2306.6710(b)(1)]~~

~~(C) Unit Amenities and Quality. [2306.111(g)(3)(A) and 2306.6710(b)(1)] Applications in which Developments provide specific amenity and quality features in every Unit at no extra charge to the tenant will be awarded points based on the point structure provided in clauses (i) through (xviii) of this subparagraph, not to exceed 12 points in total. Applications involving rehabilitation or proposing single room occupancy will double the points listed for each item, not to exceed 12 points in total.~~

~~(i) Covered entries (1 point);~~

~~(ii) Nine foot ceilings (1 point);~~

~~(iii) Microwave ovens (1 point);~~

~~(iv) Self-cleaning or continuous cleaning ovens (1 point);~~

~~(v) Ceiling fixtures in all rooms (globe with ceiling fan in all bedrooms) (1 point);~~

~~(vi) Refrigerator with icemaker (1 point);~~

~~(vii) Laundry connections (1 point);~~

~~(viii) Storage room or closet, of approximately 9 square feet or greater, which does not include bedroom, entryway or linen closets (1 point);~~

~~(ix) Laundry equipment (washers and dryers) in units (3 points);~~

~~(x) Thirty year architectural shingle roofing (1 point);~~

~~(xi) Covered patios or covered balconies (1 point);~~

~~(xii) Covered parking (including garages) of at least one covered space per Unit (2 points);~~

~~(xiii) 100% masonry on exterior, which can include stucco and cementious board products, excluding efis (3 points);~~

~~(xiv) Greater than 75% masonry on exterior, which can include stucco and cementious board products, excluding efis (1 points);~~

~~(xv) Use of energy efficient alternative construction materials (structurally insulated panels) with wall insulation at a minimum of R-20 (3 points).~~

~~(xvi) R-15 Walls / R-30 Ceilings (rating of wall system) (3 points);~~

~~(xvii) 12 SEER HVAC or evaporative coolers in dry climates (3 points);~~

~~(vxiii) Energy Star or equivalently rated Kitchen Appliances (2 points)~~

~~(D) Common Amenities. All Developments, must meet at least the minimum threshold of points to satisfy the Threshold requirement under §50.9(f)(4)(A). To receive additional points for this exhibit, Developments must first provide a minimum number of common amenities in relation to the Development size being proposed. The amenities selected must be selected from clause (iii) of this subparagraph and made available for the benefit of all tenants. If fees in addition to rent are charged for amenities, then the amenity may not be included among those provided to complete this exhibit. [2306.111(g)(3)(A) and 2306.6710(b)(1)](i) Applications must meet a minimum threshold of points (based on the total number of Units in the Development) prior to accruing actual points for this exhibit, as follows:~~

~~(I) Total Units are less than 40, 3 points are required to meet Threshold;~~

~~(II Total Units are between 40 and 76, 6 points are required to meet Threshold;~~

~~(III Total Units are between 77 and 99, 9 points are required to meet Threshold;~~

~~(IV) Total Units are between 100 and 149, 12 points are required to meet Threshold;~~

~~(V) Total Units are between 150 and 199, 15 points are required to meet Threshold;~~

~~(VI) Total Units are more than 200, 18 points are required to meet Threshold.~~

~~(ii) Points for additional amenities. Developments providing additional amenities beyond the threshold identified in clause (i) of this subparagraph will be awarded points based on the point structure below, not to exceed 6 points. The Applicant will total its points for amenities and then subtract the threshold requirement in order to come up with the point total. (For example, a 200-unit Development would have to accumulate 24 points in Common Amenities in order to net a score of 6, but a 36-Unit Development would only have to accumulate 9 points in order to net a score of 6.) Developments proposing rehabilitation or proposing Single Room Occupancy will receive double points for each item. Any future changes in these amenities, or substitution of these amenities, must be approved by the Department in accordance with §50.18(c) of this title and may result in a decrease in awarded credits if the substitution or change includes a decrease in cost or in the cancellation of a Commitment Notice or Carryover Allocation if all of the Common Amenities claimed are no longer met.~~

~~(iii) Amenities for selection include those items listed in subclauses (I) through (XXIII) of this clause. Both Developments designed for families and Qualified Elderly Developments can earn points for providing each identified amenity unless the item is specifically restricted to one type of Development. All amenities must meet accessibility standards as further described in §50.9(f)(4)(D) of this title. An Application can only count an amenity once, therefore combined functions (a library which is part of a community room) only count under one category. Spaces for activities must be sized appropriately to serve the anticipated population.~~

~~(I) Full perimeter fencing with controlled gate access (3 points)~~

~~(II) Gazebo w/sitting area (1 point)~~

~~(III) Accessible walking path (1 point)~~

~~(IV) Community gardens (1 point)~~

~~(V) Community laundry room and/or laundry hook-ups in Units (no hook-up fees of any kind may be charged to a tenant for use of the hook-ups (1 point);~~

~~(VI) Public telephone(s) available to tenants 24 hours a day (2 points);~~

~~(VII) A service coordinator office (1 point);~~

~~(VIII) Barbecue grills and picnic tables – at least one for every 50 Units (1 point)~~

~~(IX) Covered pavilion w/barbecue grills and tables (2 points)~~

~~(X) Swimming pool (3 points)~~

~~(XI) Furnished fitness center (2 points)~~

~~(XII) Equipped Business Center (computer and fax machine) (2 points)~~

~~(XIII) Game/TV/Community room (1 point)~~

~~(XIV) Library (separate from the community room) (1 point)~~

~~(XV) Enclosed sun porch or covered community porch/patio (2 points)~~

~~(XVI) Service coordinator office in addition to leasing offices (1 point)~~

~~(XVII) Senior Activity Room (Arts and Crafts, Health Screening, etc.) – Only Qualified Elderly Developments Eligible (2 points)~~

~~(XVIII) Secured Entry (elevator buildings only) - (1 point)~~

~~(XIX) Horseshoe or Shuffleboard Court – Only Qualified Elderly Developments Eligible (1 point)~~

~~(XX) Community Dining Room w/full or warming kitchen - Only Qualified Elderly Developments Eligible (3 points)~~

~~(XXI) Two Children's Playgrounds Equipped for 5 to 12 year olds, two Tot Lots, or one of each - Only Family Developments Eligible (2 points)~~

~~(XXII) Sport Court (Tennis, Basketball or Volleyball) - Only Family Developments Eligible (2 points)~~

~~(XXIII) Furnished and staffed Children's Activity Center - Only Family Developments Eligible (3 points)~~

~~(E) The Development is an existing Residential Development without maximum rent limitations or set-asides for affordable housing and the proposed rehabilitation is part of a community revitalization plan. If maximum rent limitations had existed previously, then the restrictions must have expired at least one year prior to the first day of the Application Acceptance Period (4 points).~~

~~(F) The Development is a mixed-income Development comprised of both market rate Units and qualified tax credit Units. Points will be awarded to Developments with a Unit based Applicable Fraction which is no greater than: [2306.6710(b)(1)(C); 2306.111(g)(3)(E)]~~

~~(i) 80% (7 points); or,~~

~~(ii) 85% (6 points); or,~~

~~(iii) 90% (4 points); or~~

~~(iv) 95% (2 points).~~

~~(G) The Development consists of not more than 36 Units and is not a part of, or contiguous to, a larger Development (5 points).~~

~~(8) Sponsor Characteristics. Evidence that a HUB, as certified by the Texas Building and Procurement Commission, has an ownership interest in and materially participates in the development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Building and Procurement Commission that the Person is a HUB at the close of the Application Acceptance Period. Evidence will need to be supplemented, either at the time the Application is submitted or at the time a HUB certification renewal is received by the Applicant, confirming that the certification is valid through July 31, 2004 and renewable after that date. (3 points)~~

~~(9) Developments Targeting Tenant Populations of Individuals with Children. The Rent Schedule of the Application must show that 30% or more of the Units in the Development have more than 2 bedrooms (1 point).~~

~~(10) Development Provides Supportive Services to Tenants. Points may be received under both subparagraphs (A) and (B) of this paragraph. [2306.254 and 2306.6725(a)(1) and 2306.6710(b)(1) and Rider 6 of Appropriations]~~

~~(A) Applicants will receive points for coordinating their tenant services with those services provided through state workforce development and welfare programs as evidenced by execution of a Tenant Supportive Services Certification (2 points).~~

~~(B) The Applicant must certify that the Development will provide a combination of special supportive services appropriate for the proposed tenants. The provision of supportive services will be included in the LURA as selected from the list of services identified in this subparagraph. No fees may be charged to the tenants for any of the services. Services must be provided on-site or transportation to off-site services must be provided (maximum of 6 points).~~

~~(i) Applications will be awarded points for selecting services listed in clause (ii) of this subparagraph based on the following scoring range:~~

~~(I) Two points will be awarded for providing one of the services; or~~

~~(II) Four points will be awarded for providing two of the services; or~~

~~(III) Six points will be awarded for providing three of the services.~~

~~(ii) Service options include child care; transportation; basic adult education; legal assistance; counseling services; GED preparation; English as a second language classes; vocational training; home buyer education; credit counseling; financial planning assistance or courses; health screening services; health and nutritional courses; organized team sports programs, youth programs; scholastic tutoring; social events and activities; senior meal program; home-delivered meal program; community gardens or computer facilities; any other programs described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families; or any other services approved in writing by the Department.~~

~~(11) Tenant Characteristics - Populations with Special Needs. Evidence that the Development is designed for transitional housing for homeless persons on a non-transient basis, with supportive services designed to assist the homeless tenants in locating and retaining permanent housing. For the purpose of this exhibit, homeless persons are individuals or families that lack a fixed, regular, and adequate nighttime residence as more fully defined in 24 Code of Federal Regulations, §91.5, as may be amended from time to time. All of the items described in subparagraphs (A) through (E) of this paragraph must be submitted. Points will be awarded consistent with subparagraph (F) of this paragraph:~~

~~(A) a detailed narrative describing the type of proposed housing;~~

~~(B) a referral agreement, not more than 12 months old from the first day of the Application Acceptance Period, with an established organization which provides services to the homeless;~~

~~(C) a marketing plan designed to attract qualified tenants and housing providers;~~

~~(D) a list of supportive services; and~~

~~(E) adequate additional income source to supplement any anticipated operating and funding gaps~~

~~(F) Points will be awarded as follows:~~

~~(i) If all Units in the Development are designed solely for transitional housing for homeless persons, 7 points will be awarded; or~~

~~(ii) If at least 25% of the Units in the Development are designed for transitional housing for homeless persons, 5 points will be awarded.~~

~~(12) Low Income Targeting Points for Serving Residents at 40% and 50% of AMGI (up to 8 points). An Application may qualify for points under subparagraph (C) of this paragraph. To qualify for these points, the rents for the rent-restricted Units must not be higher than the allowable tax credit rents at the rent-restricted~~

~~AMGI level. For Section 8 residents, or other rental assistance tenants, the tenant paid rent plus the utility allowance is compared to the rent limit to determine compliance. The Development Owner, upon making selections for this exhibit will set aside Units at the rent-restricted levels of AMGI and will maintain the percentage of such Units continuously over the compliance and extended use period as specified in the LURA. [2306.6725(a)(3); 2306.111(g)(2)and (3)(B); 2306.6710(b)(1)(C) and (G); 2306.6710(e)](A) No more than 40% of the total number of low income units (including Units at 60% and 30% of AMGI) will be counted as designated for tenants at or below 50% of the AMGI for purposes of determining the points in the 50% and 40% AMGI categories. No more than 15% of the total number of low income targeted units will be counted as designated for tenants at 40% of the AMGI for purposes of determining the points in the 40% AMGI categories. For purposes of calculating "Total Low Income Targeted Units" for this exhibit, Units at 30% and 60% of AMGI are also included.~~

~~(B) In the table below no Unit may be counted twice in determining point eligibility. Use normal rounding to the hundredth to calculate the percentages, points and "Total Points" for 40% and 50% Units. In calculating the percentages, the denominator includes every low income Unit in the Development, not just the 40% and 50% Units. Normal rounding disregards all digits that are more than one decimal place past the digit rounded; therefore, the thousandths place must not be rounded prior to rounding to the hundredth, e.g. 35.0449% equals 35.04%, not 35.05%. To calculate "Rounded Total Points" disregard the hundredth place in "Total Points" and round normally, eg. 7.50 equals 8 and 7.49 equals 7. The final total points requested must be a whole number consistent with this rounding methodology.~~

~~(C) Developments should be scored based on the structure in the table below. Only Developments located in counties whose AMGI is below the statewide AMGI, may use Weight Factor B. All other Applicants are required to use Weight Factor A.~~

~~% of AMGI~~	~~# of Rent Restricted Units (a)~~	~~Percentage of Rent Restricted Units (a/b)~~		~~Weight A~~	~~OR~~	~~Weight B~~	~~Points~~
~~50%~~	~~(a)~~		~~X~~	~~10~~		~~15~~	
~~40%~~	~~(a)~~		~~X~~	~~20~~		~~30~~	
						~~TOTAL POINTS=~~	
~~TOTAL LI TARGETED UNITS*~~	~~(b)~~					~~ROUNDED TOTAL POINTS =~~	
~~*Includes all Low Income Units~~							

~~(D) Rent Levels of the Units. Applications will receive up to maximum of 10 additional points for restricting the rent levels of the Units under paragraphs (12) and (13) of this subsection. The total points available for paragraphs (12)(A) through (C) and (13) are 20 points. The percentage of points awarded under those sections will be calculated and that percentage applied to a maximum of 10 additional points to determine the number of points to be awarded. All calculations will be rounded using basic mathematical principles. (Example: If an application receives 16 of the 20 points for items (12)(A) through (C) and (13), which is 80% of the possible points, then the application will receive 8 additional points under this subparagraph (D), which is 80% of the possible points. A half point will be rounded up to the nearest whole number).~~

~~(13) Low Income Targeting Points for Serving Residents at 30% of AMGI (up to 12 points). Applications that propose Units with rents set at 30% AMGI and reserved for occupancy by extremely low-income (those earning annual gross incomes of 30% or less of the AGMI) will be awarded up to 12 points. Developments must have a source of financing for the 30% units. Applicant must submit evidence that the proposed Development has either received development -based rental assistance from a governmental or non-governmental entity, which does not have an identity of interest with the Applicant (with the exception of Applications involving Public Housing Authorities); or received an allocation of funds for on-site Development costs from a local unit of government or a nonprofit organization, which is not related to the Applicant. Such funds can include Community Development Block Grant funds, HOPE VI, local HOME (not funded from the Department), a local housing trust, Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, HUD Section 202, HUD Section 811 and HUD Section 8, and must be in the form of a grant or a forgivable loan (with~~

~~the exception of Applications involving Public Housing Authorities). Points will be determined on a sliding scale based on the percentage of 30% units. The Development must have already applied for funding from the funding entity. Evidence at the application stage shall include a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from TDHCA's HOME (with the exception of non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. In order to qualify for these points, the Applicant must provide a 5 year rental assistance contract for development-based vouchers for each 30% Unit or grant funds of $12,500 per 30% Unit. Use normal rounding.~~

~~(A) 3% to 5% of total Development Units at 30% AMGI receives 8 points; or~~

~~(B) 6% to 8% of total Development Units at 30% AMGI receives 10 points; or~~

~~(C) 9% to 10% of total Development Units at 30% AMGI receives 12 points~~

~~[2306.6725(a)(3); 2306.111(g)(2) and (3)(B)/(D); 2306.6710(b)(1) (C) and (G); 2306.6710(e)]~~

~~(14) Leveraging from local and private resources. An Application may qualify for points under only one of subparagraphs (A) or (B) of this paragraph. However, if an Applicant has requested points under paragraph (13) of this section, the Application is not eligible to receive points under this paragraph. (maximum of 14 points) [2306.6710(b)(1)(E)]~~

~~(A) Evidence that the proposed Development has received an allocation of funds for on-site development costs from a local unit of government or a nonprofit organization, which is not related to the Applicant. Such funds can include Community Development Block Grant funds, HOPE VI, local HOME (not funded from the Department), a local housing trust, Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, HUD Section 202 , HUD Section 811 and HUD Section 8 and must be in the form of a grant or a forgivable loan. In-kind contributions such as donation of land or waivers of fees such as building permits, water and sewer tap fees, or similar contributions that benefit the Development will be acceptable to qualify for these points. Points will be determined on a sliding scale based on the amount per Unit from outside sources. The Development must have already applied for funding from the funding entity. Evidence to be submitted with the Application must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from the Department's HOME or Housing Trust Fund sources will qualify under this category. Use normal rounding. No funds from TDHCA's HOME (with the exception of non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. (up to 14 points).~~

~~(i) A contribution of $500 to $1,000 per Low Income Unit receives 4 points; or~~

~~(ii) A contribution of $1,001 to $3,500 per Low Income Unit receives 8 points; or~~

~~(iii) A contribution of $3,501 to $6,000 per Low Income Unit receives 14 points; or~~

~~(B) Evidence that the proposed Development is partially funded by development-based Housing Choice or rental assistance vouchers from a governmental or non-governmental entity for a minimum of five years. Such entity cannot have an identity of interest with the Applicant with the exception of Applications involving Public Housing Authorities. Evidence at the time the Application is submitted must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from the Department's HOME or Housing Trust Fund sources will qualify under this category. Use normal rounding. (up to 14 points).~~

~~(i) Development-Based Vouchers for 3% to 5% of the total Units receives 4 points; or~~

~~(ii) Development-Based Vouchers for 6% to 8% of the total Units receives 8 points; or~~

~~(iii) Development-Based Vouchers for 9% to 10% of the total Units receives 14 points.~~

~~(15) Length of Affordability Period. [2306.6725(a)(5); 2306.111(g)(3)(C); 2306.185(a)(1); and § 22 of 2306.6710(e)] In accordance with the Code, each Development is required to maintain its affordability for a 15-~~

~~year compliance period and, subject to certain exceptions, an additional 15-year extended use period. Development Owners that are willing to extend the affordability period for a Development beyond the 30 years required in the Code may receive points as follows:~~

~~(A) Add 5 years of affordability after the extended use period for a total affordability period of 35 years (3 points); or~~

~~(B) Add 10 years of affordability after the extended use period for a total affordability period of 40 years (6 points)~~

~~(16) Evidence that Development Owner agrees to provide a right of first refusal to purchase the Development upon or following the end of the Compliance Period for the minimum purchase price provided in, and in accordance with the requirements of, §42(i)(7) of the Code (the "Minimum Purchase Price"), to a Qualified Nonprofit Organization, the Department, or either an individual tenant with respect to a single family building, or a tenant cooperative, a resident management corporation in the Development or other association of tenants in the Development with respect to multifamily developments (together, in all such cases, including the tenants of a single family building, a "Tenant Organization"). Development Owner may qualify for these points by providing the right of first refusal in the following terms (5 points). [2306.6725(b)]~~

~~(A) Upon the earlier to occur of:~~

~~(i) the Development Owner's determination to sell the Development, or~~

~~(ii) the Development Owner's request to the Department, pursuant to §42(h)(6)(E)(II) of the Code, to find a buyer who will purchase the Development pursuant to a "qualified contract" within the meaning of §42(h)(6)(F) of the Code, the Development Owner shall provide a notice of intent to sell the Development ("Notice of Intent") to the Department and to such other parties as the Department may direct at that time. If the Development Owner determines that it will sell the Development at the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to expiration of the Compliance Period. If the Development Owner determines that it will sell the Development at some point later than the end of the Compliance Period, the Notice of Intent shall be given no later than two years prior to date upon which the Development Owner intends to sell the Development.~~

~~(B) During the two years following the giving of Notice of Intent, the Sponsor may enter into an agreement to sell the Development only in accordance with a right of first refusal for sale at the Minimum Purchase Price with parties in the following order of priority:~~

~~(i) during the first six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization that is also a community housing development organization, as defined for purposes of the federal HOME Investment Partnerships Program at 24 C.F.R. § 92.1 (a "CHDO") and is approved by the Department,~~

~~(ii) during the second six-month period after the Notice of Intent, only with a Qualified Nonprofit Organization or a Tenant Organization; and~~

~~(iii) during the second year after the Notice of Intent, only with the Department or with a Qualified Nonprofit Organization approved by the Department or a Tenant Organization approved by the Department.~~

~~(iv) If, during such two-year period, the Development Owner shall receive an offer to purchase the Development at the Minimum Purchase Price from one of the organizations designated in clauses (i) through (iii) of this subparagraph (within the period(s) appropriate to such organization), the Development Owner shall sell the Development at the Minimum Purchase Price to such organization. If, during such period, the Development Owner shall receive more than one offer to purchase the Development at the Minimum Purchase Price from one or more of the organizations designated in clauses (i) through (iii) of this subparagraph (within the period(s) appropriate to such organizations), the Development Owner shall sell the Development at the Minimum Purchase Price to whichever of such organizations it shall choose.~~

~~(C) After whichever occurs the later of:~~

~~(i) the end of the Compliance Period; or~~

~~(ii) two years from delivery of a Notice of Intent,~~

~~the Development Owner may sell the Development without regard to any right of first refusal established by the LURA if no offer to purchase the Development at or above the Minimum Purchase Price has been made by a Qualified Nonprofit Organization, a Tenant Organization or the Department, or a period of 120 days has expired from the date of acceptance of all such offers as shall have been received without the sale having occurred, provided that the failure(s) to close within any such 120-day period shall not have been caused by the Development Owner or matters related to the title for the Development.~~

~~(D) At any time prior to the giving of the Notice of Intent, the Development Owner may enter into an agreement with one or more specific Qualified Nonprofit Organizations and/or Tenant Organizations to provide a right of first refusal to purchase the Development for the Minimum Purchase Price, but any such agreement shall only permit purchase of the Development by such organization in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.~~

~~(E) The Department shall, at the request of the Development Owner, identify in the LURA a Qualified Nonprofit Organization or Tenant Organization which shall hold a limited priority in exercising a right of first refusal to purchase the Development at the Minimum Purchase Price, in accordance with and subject to the priorities set forth in subparagraph (B) of this paragraph.~~

~~(F) The Department shall have the right to enforce the Development Owner's obligation to sell the Development as herein contemplated by obtaining a power-of-attorney from the Development Owner to execute such a sale or by obtaining an order for specific performance of such obligation or by such other means or remedy as shall be, in the Department's discretion, appropriate.~~

~~(17) Pre-Application Points. [2306.6704] Applications which submitted a Pre-Application during the Pre-Application Acceptance Period and meet the requirements of this paragraph shall receive 7 points. To be eligible for these points, the Application must:~~

~~(A) be for the identical site as the proposed Development in the Pre-Application;~~

~~(B) have met the Pre-Application Threshold Criteria;~~

~~(C) be serving the same target population (family or elderly) as in the Pre-Application in the same Set-Asides; and~~

~~(D) be awarded by the Department an Application score that is not more than 5% greater or less than the number of points awarded by the Department at Pre-Application, with the exclusion of points for support and opposition under subsections (g)(2) and (g)(6)(C) of this title. An Applicant must choose, at the time of Application either clause (i) or (ii) of this subparagraph:~~

~~(i) to request the Pre-Application points and have the Department cap the Application score at no greater than the 5% increase regardless of the total points accumulated in the scoring evaluation. This allows an Applicant to avoid penalty for changing the point structure outside the 5% range from Pre-Application to Application; or~~

~~(ii) to request that the Pre-Application points be forfeited and that the Department evaluate the Application as requested in the self-scoring sheet.~~

~~(18) Point Reductions.~~

~~(A) [2306.6710(b)(2)] Penalties will be imposed on an Application if the Applicant has requested extensions of Department deadlines, and did not meet the original submission deadlines, relating to developments receiving a housing tax credit commitment made in the application round preceding the current round. Extensions that will receive penalties are those extensions related to the submission of the carryover and the closing of the construction loan as identified in §50.21 of this title. For each extension request made, the Applicant will be required to pay a $2,500 extension fee as provided in §50.21(k) of this title and will receive a 2 point deduction for not meeting the Carryover deadline and a 5 point deduction for not meeting the closing of the construction loan deadline. Subsequent extension requests after the first extension request made for each development from the preceding round for these two deadlines will not result in a further point reduction than already described. No penalty points will be deducted for extensions that were requested on developments that involved rehabilitation or in which the Department is the primary lender.~~

~~(B) Penalties will be imposed on an Application if the Developer or Principal of the Applicant has been removed by the lender, equity provider, or limited partners in the past five years for its failure to perform its obligations under the loan documents or limited partnership agreement. An affidavit will be provided by the Applicant and the Developer certifying that they have not been removed as described, or requiring that they disclose each instance of removal with a detailed description of the situation. If an Applicant or Developer submits the affidavit, and the Department learns at a later date that a removal did take place as described, then the Application will be terminated and any Allocation made will be rescinded. The Applicant, Developers or Principals of the Applicant that are in court proceedings at the time of Application, must disclose this information and the situation will be evaluated on a case-by-case basis. 3 points will be deducted for each instance of removal.~~

(h) **Tie Breaker Factors.** [2306.185(a)(1) and (b)]

(1) In the event that two or more Applications receive the same number of points in any given Set-Aside category, Rural Regional Allocation or Urban/Exurban Regional Allocation, or Uniform State Service Region, and are both practicable and economically feasible, the Department will utilize the factors in this paragraph, ~~s (1) through (5) of this subsection,~~ in the order they are presented, to determine which Development will receive a preference in consideration for a tax credit commitment.

~~(A) The number of points awarded for amenities under subsection (g)(7)(C) of this section;~~

~~(B) The number of points awarded for amenities under subsection (g)(7)(D) of this section;~~

(A) An Application will have preference if the Development Owner certifies in the Application that they will consider as potential tenants holders of Section 8 vouchers or certificates or other tenant based rental assistance and will cooperate with the local public housing authority in accepting tenants from their waiting lists.

(B~~C~~) The amount of requested tax credits ~~number of~~ per net rentable square foot requested ~~eet per credit amount requested~~ (the lower credits per square foot has preference)~~; and~~

~~(D) The length of time the Development will be kept affordable.~~

~~(E) to give preference to a Development which is located in a QCT as specifically designated by the Secretary of HUD, and which also contributes to a concerted community revitalization plan; and~~

(2) This clause identifies how ties will be handled when dealing with the restrictions on location identified in §~~50.~~49.5(a)(8), ~~and §50.6(f),~~ and in dealing with any issues relating to capture rate calculation. When two Tax Exempt Bond Developments would violate one of these restrictions, and only one Development can be selected, the Department will utilize the lot number issued during the Bond Review Board lottery in making its determination. When two competitive Housing Tax Credits Applications in the Application Round would violate one of these restrictions, and only one Development can be selected, the Department will utilize the tie breakers identified in (h)(1) of this subsection. When a Tax Exempt Bond Development and a competitive Housing Tax Credit Application in the Application Round would both violate ~~one of these~~ a restriction~~s~~, the following determination will be used:

(A) Tax Exempt Bond Developments that ~~have~~ receive~~d~~ their reservation from the Bond Review Board prior to April 30, ~~2004~~ 2005 will take precedence over the Housing Tax Credit Applications in the ~~2004~~ 2005 Application Round; and

(B) Housing Tax Credit Applications approved by the Board for tax credits in July 2005~~in the 2004 Application Round~~ will take precedence over the Tax Exempt Bond Developments that ~~have~~ received their reservation from the Bond Review Board on or between May 1, ~~2004~~ 2005 and July 31, 2005~~2004~~; and

(C) After July 31, 2004, a Tax Exempt Bond Development with a reservation from the Bond Review Board will take precedence over any Housing Tax Credit Application from the ~~2004~~ 2005 Application Round on the Waiting List. However, if no reservation has been issued by the date the Board approves an allocation to a Development from the Waiting List of Applications in the 2005 Application Round or a forward commitment, then the Waiting List Application or forward commitment will be eligible for its allocation. ~~first.~~

(i) **Staff Recommendations**. [2306.1112 and 2306.6731] After eligible Applications have been evaluated, ranked and underwritten in accordance with the QAP and the Rules, the Department staff shall make its recommendations to the Executive Award and Review Advisory Committee. The Committee will develop funding priorities and shall make commitment recommendations to the Board. Such recommendations and supporting documentation shall be made in advance of the meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. The Committee will provide written, documented recommendations to the Board which will address at a minimum the financial or programmatic viability of each Application and a list of all submitted Applications which enumerates the reason(s) for the Development's proposed selection or denial, including all evaluation factors provided in subsection (g) of this section that were used in making this determination.

§~~50.~~49.10 Board Decisions; Waiting List; Forward Commitments

(a) **Board Decisions.** The Board's decisions shall be based upon the Department's and the Board's evaluation of the proposed Developments' consistency with the criteria and requirements set forth in this QAP and Rules.

(1) On awarding tax credits, the Board shall document the reasons for each Application's selection, including any discretionary factors used in making its determination, and the reasons for any decision that conflicts with the recommendations made by Department staff. The Board may not make, without good cause, a commitment decision that conflicts with the recommendations of Department staff. Good cause includes the Board's decision to apply discretionary factors. [2306.6725(c); 42(m)(1)(A)(iv); ~~and~~ 2306.6731]

(2) In making a determination to allocate tax credits, the Board shall be authorized to not rely solely on the number of points scored by an Application. It shall in addition, be entitled to take into account, as it deems appropriate, the discretionary factors listed in this paragraph. The Board may also apply these discretionary factors to its consideration of Tax Exempt Bond Developments. If the Board disapproves or fails to act upon an Application, the Department shall issue to the Applicant a written notice stating the reason(s) for the Board's disapproval or failure to act. In making tax credit decisions (including those related to Tax Exempt Bond Developments), the Board, in its discretion, may evaluate, consider and apply any one or more of the following discretionary factors: [2306.111(g)(3)]

(A) the developer market study;

(B) the ~~proposed~~ location; ~~of the Development, including supporting broad geographic dispersion;~~

(C) the compliance history of the ~~Applicant and/or~~ Developer;

(D) the Applicant and/or Developer's efforts to engage the neighborhood;

(E) the financial feasibility; ~~of the Development;~~

(F) the appropriateness of the Development's ~~proposed~~ size and configuration in relation to the housing needs of the community in which the Development is located;

(G) the housing needs of ~~the community in which the Development will be located and the needs of~~ the community, area, region and state;

(H) the Development's proximity to other low income~~rent restricted~~ housing developments;~~, including avoiding overconcentration~~

(I) the availability of adequate public ~~and private~~ facilities and services;

(J) the anticipated impact on local school districts;~~, giving due consideration to the authorized land use;~~

(K) zoning and other land use considerations;

(L~~K~~) laws relating to fair housing including affirmatively furthering fair housing;

(M~~L~~) the efficient use of the tax credits;

(N~~M~~) consistency with local needs, including consideration of revitalization or preservation needs;

(O~~N~~) the allocation of credits among many different entities without diminishing the quality of the housing;

(P~~O~~) meeting a compelling housing need;

(Q~~P~~) providing integrated, affordable housing for individuals and families with different levels of income;

(R~~S~~) the inclusive capture rate as described under §1.32(g)(2);

(S~~Q~~) any matter considered by the Board to be relevant to the approval decision and in furtherance of the Department's purposes and the policies of Chapter 2306, Texas Government Code; or

(T~~R~~) other good cause as determined by the Board.

(2) Before the Board approves any Application, the Department shall assess the compliance history of the Applicant with respect to all applicable requirements; and the compliance issues associated with the proposed Development, including compliance information provided by the Texas State Affordable Housing Corporation. The Committee shall provide to the Board a written report regarding the results of the assessments. The written report will be included in the appropriate Development file for Board and Department review. The Board shall fully document and disclose any instances in which the Board approves a Development Application despite any noncompliance associated with the Development or Applicant. [2306.057]

(b) **Waiting List.** [2306.6711(c) and (d)] If the entire State Housing Credit Ceiling for the applicable calendar year has been committed or allocated in accordance with this chapter, the Board shall generate, concurrently with the issuance of commitments, a waiting list of additional Applications ranked by score in descending order of priority based on Set-Aside categories and regional allocation goals. The Board may also apply discretionary factors in determining the Waiting List. If at any time prior to the end of the Application Round, one or more Commitment Notices expire and a sufficient amount of the State Housing Credit Ceiling becomes available, the Board shall issue a Commitment Notice to Applications on the waiting list subject to the amount of returned credits, the regional allocation goals and the Set-Aside categories, including the 10% Nonprofit Set-Aside allocation required under the Code, §42(h)(5). At the end of each calendar year, all Applications which have not received a Commitment Notice shall be deemed terminated. The Applicant may re-apply to the Department during the next Application Acceptance Period.

(c) **Forward Commitments.** The Board may determine to issue commitments of tax credit authority with respect to Developments from the State Housing Credit Ceiling for the calendar year following the year of issuance (each a "forward commitment"). The Board will utilize its discretion in determining the amount of credits to be allocated as forward commitments and the reasons for those commitments considering score and discretionary factors. The Board may utilize the forward commitment authority to allocate credits to TX-USDA-RHS Developments which are experiencing foreclosure or loan acceleration at any time during the ~~2004~~ 2005 calendar year. Applications that are submitted under the 2005 QAP and granted a Forward Commitment of 2006 Housing Tax Credits are considered by the Board to comply with the 2006 QAP by having satisfied the requirements of this 2005 QAP, except for statutorily required QAP changes.

(1) Unless otherwise provided in the Commitment Notice with respect to a Development selected to receive a forward commitment, actions which are required to be performed under this chapter by a particular date within a calendar year shall be performed by such date in the calendar year of the Credit Ceiling from which the credits are allocated. ~~anticipated commitment rather than in the calendar year of the forward commitment.~~

(2) Any forward commitment made pursuant to this section shall be made subject to the availability of State Housing Credit Ceiling in the calendar year with respect to which the forward commitment is made. If a forward commitment shall be made with respect to a Development placed in service in the year of such

commitment, the forward commitment shall be a "binding commitment" to allocate the applicable credit dollar amount within the meaning of the Code, §42(h)(1)(C).

(3) If tax credit authority shall become available to the Department in a calendar year in which forward commitments have been awarded, the Department may allocate such tax credit authority to any eligible Development which received a forward commitment, in which event the forward commitment shall be canceled with respect to such Development.

§~~50.~~49.11. Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants; Viewing of Pre-Applications and Applications; Confidential Information.

(a) **Required Application Notifications, Receipt of Public Comment, and Meetings with Applicants.**

(1) Within approximately seven business days after the close of the Pre-Application Acceptance Period, the Department shall publish a Pre-Application Submission Log on its web site. Such log shall contain the Development name, address, Set-Aside, number of units, requested credits, owner contact name and phone number. [2306.6717(a)(1)]

(2) Approximately 30 days before the close of the Application Acceptance Period, the Department will release the evaluation and assessment of the Pre-Applications on its web site.

(3) Not later than 14 days after the close of the Pre-Application Acceptance Period, or Application Acceptance Period for Applications for which no Pre-Application was submitted, the Department shall: [2306.1114]

(A) publish an Application submission log on its web site.

(B) give notice of a proposed Development in writing that provides the information required under clause (i) of this subparagraph to all of the individuals and entities described in clauses (ii) through (viii) of this subparagraph. [2306.6718(a) through (c)]

(i) The following information will be provided in these notifications:

(I) The relevant dates affecting the Application including the date on which the Application was filed, the date or dates on which any hearings on the Application will be held and the date by which a decision on the Application will be made;

(II) A summary of relevant facts associated with the Development;

(III) A summary of any public benefits provided as a result of the Development, including rent subsidies and tenant services; and

(IV) The name and contact information of the employee of the Department designated by the director to act as the information officer and liaison with the public regarding the Application.

(ii) Presiding officer of the governing body of the political subdivision containing the Development (mayor or county judge) to advise such individual that the Development, or a part thereof, will be located in his/her jurisdiction and request any comments which such individual may have concerning such Development. If the presiding officer of the governing body expresses opposition to the Development, the Department will give consideration to the objections raised and will visit the proposed site or Development within 30 days of notification to conduct a physical inspection of the Development site and consult with the presiding officer of the governing body before the Application is scored, if opposition is received prior to scoring being completed. The Department will obtain reimbursement from the Applicant for the necessary travel and expenses at rates consistent with the state authorized rate [Rider 4 of Appropriations Bill] [§42(m)(1)];

(iii) Any member of the governing body of a political subdivision who represents the area containing the Development. If the governing body has single-member districts, then only that member of the governing body for that district will be notified, however if the governing body has at-large districts, then all members of the governing body will be notified;

(iv) state representative and state senator who represent the community where the Development is proposed to be located. If the state representative or senator hold a community meeting, the Department shall provide appropriate representation.

(v) United States representative who represents the community containing the Development;

(vi) Superintendent of the school district containing the Development;

(vii) Presiding officer of the board of trustees of the school district containing the Development;

(viii) Any Neighborhood Organizations on record with the city or county in which the Development is to be located and whose boundaries contain the proposed Development site, based on the letters obtained by the Applicant ~~from the city and county clerks~~ under §~~50.~~49.9(f) of this title or otherwise known to the Applicant or Department and on record with the state or county;~~.~~ and

(ix) Advocacy organizations, social service agencies, civil rights organizations, tenant organizations, or others who may have an interest in securing the development of affordable housing that are registered on the Department's email list service.

(C) The elected officials identified in subparagraph (B) of this paragraph will be provided an opportunity to comment on the Application during the Application evaluation process. [§42(m)(1)]

(4) The Department shall hold at least three public hearings in different Uniform State Service Regions of the state to receive comment on the submitted Applications and on other issues relating to the Housing Tax Credit Program. [2306.6717(c)]

(5) The Department shall make available on the Department's website information regarding the Housing Tax Credit Program including notice of public hearings, meetings, Application Round opening and closing dates, submitted Applications, and Applications approved for underwriting and recommended to the Board, and shall provide that information to locally affected community groups, local and state elected officials, local housing departments, any appropriate newspapers of general or limited circulation that serve the community in which a proposed Development is to be located, nonprofit and for-profit organizations, on-site property managers of occupied Developments that are the subject of Applications for posting in prominent locations at those Developments, and any other interested persons including community groups, who request the information. [2306.6717(b); 2306.6732]

(6) Approximately forty days prior to the date of the July Board meeting at which the issuance of Commitment Notices shall be discussed, the Department will notify each Applicant of the receipt of any opposition received by the Department relating to his or her Development at that time.

(7) Not later than the third working day after the date of completion of each stage of the Application process, including the results of the Application scoring and underwriting phases and the commitment phase, the results will be posted to the Department's web site. [2306.6717(a)(3)]

(8) At least thirty days prior to the date of the July Board meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed, the Department will:

(A) provide the Application scores to the Board;

(B) if feasible, post to the Department's web site the entire Application, including all supporting documents and exhibits, the Application Log as further described in §~~50.~~49.19~~20~~(b) of this title, a scoring sheet providing details of the Application score, and any other documents relating to the processing of the Application. [2306.6711(a) and 2306.6717(a)(2)]

(9) A summary of comments received by the Department on specific Applications shall be part of the documents required to be reviewed by the Board under this subsection if it is received 30 business days prior to the date of the Board Meeting at which the issuance of Commitment Notices or Determination Notices shall be discussed. Comments received after this deadline will not be part of the documentation submitted to the Board. However, a public comment period will be available prior to the Board's decision, at the Board meeting where tax credit commitment decisions will be made.

(10) Not later than the 120th day after the date of the initial issuance of Commitment Notices for housing tax credits, the Department shall provide an Applicant who did not receive a commitment for housing tax credits with an opportunity to meet and discuss with the Department the Application's deficiencies, scoring and underwriting. [2306.6711(e)]

(b) **Viewing of Pre-Applications and Applications.** Pre-Applications and Applications for tax credits are public information and are available upon request after the Pre-Application and Application Acceptance Periods close, respectively. All Pre-Applications and Applications, including all exhibits and other supporting materials, except Personal Financial Statements and Social Security numbers, will be made available for public disclosure after the Pre-Application and Application periods close, respectively. The content of Personal Financial Statements may still be made available for public disclosure upon request if the Attorney General's office deems it is not protected from disclosure by the Texas Public Information Act.

(c) **Confidential Information.** The Department may treat the financial statements of any Applicant as confidential and may elect not to disclose those statements to the public. A request for such information shall be processed in accordance with §552.305 of the Government Code. [2306.6717(d)]

§~~50.~~49.12. Tax Exempt Bond Developments: Filing of Applications, Applicability of Rules, Supportive Services, Financial Feasibility Evaluation, Satisfaction of Requirements.

(a) **Filing of Applications for Tax Exempt Bond Developments.** Applications for a Tax Exempt Bond Development may be submitted to the Department as described in paragraphs (1) and (2) of this subsection:

(1) Applicants which receive advance notice of a Program Year ~~2004~~ 2005 reservation as a result of the Texas Bond Review Board's (TBRB) lottery for the private activity volume cap must file a complete Application not later than 5:00 p.m. on December 30, 2004.~~not later than 60 days after the date of the TBRB lottery.~~ Such filing must be accompanied by the Application fee described in §~~50.~~49.20~~21~~ of this title.

(2) Applicants which receive advance notice of a Program Year ~~2004~~ 2005 reservation after being placed on the waiting list as a result of the TBRB lottery for private activity volume cap must submit Volume 1 and

Volume 2 of the Application and the Application fee described in §~~50.~~49.20~~21~~ of this title prior to the Applicant's bond reservation date as assigned by the TBRB. Any outstanding documentation required under this section must be submitted to the Department at least 60 days prior to the Board meeting at which the decision to issue a Determination Notice would be made.

(b) Applicability of Rules for Tax Exempt Bond Developments. Tax Exempt Bond Development Applications are subject to all rules in this title, with the only exceptions being the following sections: §~~50.~~49.4 of this title (regarding State Housing Credit Ceiling), §~~50.~~49.7 of this title (regarding Regional Allocation and Set-Asides), §~~50.~~49.8 of this title (regarding Pre-Application), §~~50.~~49.9(d)~~(2) and (4)~~ of this title (regarding ~~Selection Criteria~~ Review and Prioritization), §~~50.~~49.9(g) of this title (regarding Selection Criteria), §~~50.~~49.10(b) and (c) of this title (regarding Waiting List and Forward Commitments), and §~~50.~~49.14(a) and (b) of this title (regarding Carryover and 10% Test). Such Developments requesting a Determination Notice in the current calendar year must meet all Threshold Criteria requirements stipulated in §~~50.~~49.9(f) of this title. Such Developments which received a Determination Notice in a prior calendar year must meet all Threshold Criteria requirements stipulated in the QAP and Rules in effect for the calendar year in which the Determination Notice was issued; provided, however, that such Developments shall comply with all procedural requirements for obtaining Department action in the current QAP and Rules; and such other requirements of the QAP and Rules as the Department determines applicable. ~~At the time of Application, Developments must demonstrate the Development's consistency with the bond issuer's consolidated plan or other similar planning document.~~ Consistency with the local municipality's consolidated plan or similar planning document must be demonstrated in those instances where the city or county has a consolidated plan. Applicants will be required to meet all conditions of the Determination Notice by the time the construction loan is closed unless otherwise specified in the Determination Notice. Applicants must meet the requirements identified in §~~50.~~49.15(a) of this title. Applications that receive a reservation from the Bond Review Board on or before December 31, 2004 will be required to satisfy the requirements of the 2004 QAP; Applications that receive a reservation from the Bond Review Board on or after January 1, 2005 will be required to satisfy the requirements of the 2005 QAP.

(c) **Supportive Services for Tax Exempt Bond Developments.** [2306.254] Tax Exempt Bond Development 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 these services will be included in the LURA. Acceptable services as described in paragraphs (1) through (3) of this subsection include:

(1) the services must be in at least one of the following categories: child care, transportation, basic adult education, legal assistance, counseling services, GED preparation, English as a second language classes, vocational training, home buyer education, credit counseling, financial planning assistance or courses, health screening services, health and nutritional courses, organized team sports programs, youth programs, scholastic tutoring, social events and activities, community gardens or computer facilities; or

(2) any other program described under Title IV-A of the Social Security Act (42 U.S.C. §§ 601 et seq.) which enables children to be cared for in their homes or the homes of relatives; ends the dependence of needy families on government benefits by promoting job preparation, work and marriage; prevents and reduces the incidence of out-of wedlock pregnancies; and encourages the formation and maintenance of two-parent families, or

(3) any other services approved in writing by the Issuer. The plan for tenant supportive services submitted for review and approval of the Issuer must contain a plan for coordination of services with state workforce development and welfare programs. The coordinated effort will vary depending upon the needs of the tenant profile at any given time as outlined in the plan.

(d) **Financial Feasibility Evaluation for Tax Exempt Bond Developments.** Code §42(m)(2)(D) requires the bond issuer (if other than the Department) to ensure that a Tax Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period. Treasury Regulations prescribe the occasions upon which this determination must be made. In light of the requirement, issuers may either elect to underwrite the Development for this purpose in accordance with the QAP and the Underwriting Rules and Guidelines, §1.32 of this title or request that the Department perform the function. If the issuer underwrites the Development, the Department will, nonetheless, review the underwriting report and may make such changes in the amount of credits which the Development may be allowed as are appropriate under the Department's guidelines. The Determination Notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the Development is determined to be eligible in accordance with this subsection, and the amount of tax credits reflected in the IRS Form 8609 may be greater or less than the amount set forth in the Determination Notice, based upon the Department's and the bond issuer's determination as of each building's placement in service. Any increase of tax credits, from the amount specified in the Determination Notice, at the time of each building's placement in service will only be permitted if it is determined by the Department, as required by Code

§42(m)(2)(D), that the Tax Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period.~~, and~~ Increases to the amount of tax credits that exceed 110% of the amount of credits reflected in the Determination Notice are contingent upon approval by the Board. Increases to the amount of tax credits that do not exceed 110% of the amount of credits reflected in the Determination Notice may be approved administratively by the Executive Director.

(e) **Satisfaction of Requirements for Tax Exempt Bond Developments.** If the Department staff determines that all requirements of this QAP and Rules have been met, the Department will recommend that the Board authorize the issuance of a Determination Notice. The Board, however, may utilize the discretionary factors identified in §~~50.~~49.10(a) of this title in determining if they will authorize the Department to issue a Determination Notice to the Development Owner. The Determination Notice, if authorized by the Board, will confirm that the Development satisfies the requirements of the QAP and Rules in accordance with the Code, §42(m)(1)(D).

§~~50.~~49.13 Commitment and Determination Notices; Agreement and Election Statement.

(a) **Commitment and Determination Notices.** If the Board approves an Application, the Department will:

(1) if the Application is for a commitment from the State Housing Credit Ceiling, issue a Commitment Notice to the Development Owner which shall:

(A) confirm that the Board has approved the Application; and

(B) state the Department's commitment to make a Housing Credit Allocation to the Development Owner in a specified amount, subject to the feasibility determination described at §~~50.~~49.16~~17~~ of this title, and compliance by the Development Owner with the remaining requirements of this chapter and any other terms and conditions set forth therein by the Department. This commitment shall expire on the date specified therein unless the Development Owner indicates acceptance of the commitment by executing the Commitment Notice or Determination Notice, pays the required fee specified in §~~50.~~49.20~~21~~ of this title, and satisfies any other conditions set forth therein by the Department. A Development Owner may request an extension of the Commitment Notice expiration date by submitting an extension request and associated extension fee as described in §~~50.~~49.20~~21~~ of this title. In no event shall the expiration date of a Commitment Notice be extended beyond the last business day of the applicable calendar year.

(2) if the Application regards a Tax Exempt Bond Development, issue a Determination Notice to the Development Owner which shall:

(A) confirm the Board's determination that the Development satisfies the requirements of this QAP; and

(B) state the Department's commitment to issue IRS Form(s) 8609 to the Development Owner in a specified amount, subject to the requirements set forth at §~~50.~~49.12 of this title and compliance by the Development Owner with all applicable requirements of this title and any other terms and conditions set forth therein by the Department. The Determination Notice shall expire on the date specified therein unless the Development Owner indicates acceptance by executing the Determination Notice and paying the required fee specified in §~~50.~~49.20~~21~~ of this title. The Determination Notice shall also expire unless the Development Owner satisfies any conditions set forth therein by the Department within the applicable time period.

(3) notify, in writing, the mayor or other equivalent chief executive officer of the municipality in which the Property is located informing him/her of the Board's issuance of a Commitment Notice or Determination Notice, as applicable.

(4) A Commitment or Determination Notice shall not be issued with respect to any Development for an unnecessary amount or where the cost for the total development, acquisition, construction or rehabilitation exceeds the limitations established from time to time by the Department and the Board, unless the Department staff make a recommendation to the Board based on the need to fulfill the goals of the Housing Tax Credit Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.

~~(5) A Commitment or Determination Notice shall not be issued with respect to any Development in violation of the calculation relating to the inclusive capture rate as restricted under §1.32(g)(2) of this title,, unless The Committee makes a recommendation to the Board based on the need to fulfill the goals of the Housing Tax Credit Program as expressed in this QAP and Rules, and the Board accepts the recommendation. The Department's recommendation to the Board shall be clearly documented.~~

(5~~6~~) A Commitment or Determination Notice shall not be issued with respect to the Applicant, the Development Owner, the General Contractor, or any Affiliate of the General Contractor that is active in the ownership or Control of one or more other low income rental housing properties in the state of Texas ~~funded by~~

administered by the Department, or outside the state of Texas, that is in Material Non-Compliance with the LURA (or any other document containing an Extended Low Income Housing Commitment) or the program rules in effect for such property, as described in Section 60.1 of this title. ~~as of June 30 of each year(or for Tax Exempt Bond Developments as of 10 business days prior to the Board's vote to allocate credits. Any corrective action documentation affecting the Material Non-Compliance status score for Applicants must be received by the Department no later than May 15 of each year (or for Tax Exempt Bond Developments no later than 20 business days prior to the Board's vote to allocate credits).~~

(b) **Agreement and Election Statement.** Together with the Development Owner's acceptance of the Carryover Allocation, the Development Owner may execute an Agreement and Election Statement, in the form prescribed by the Department, for the purpose of fixing the Applicable Percentage for the Development as that for the month in which the Carryover Allocation was accepted (or the month the bonds were issued for Tax Exempt Bond Developments), as provided in the Code, §42(b)(2). Current Treasury Regulations, §1.42-8(a)(1)(v), suggest that in order to permit a Development Owner to make an effective election to fix the Applicable Percentage for a Development, the Carryover Allocation Document must be executed by the Department and the Development Owner within the same month. The Department staff will cooperate with a Development Owner, as possible or reasonable, to assure that the Carryover Allocation Document can be so executed.

(c) **Documentation Submission Requirements at Commitment of Funds.** No later than the date the Commitment Notice or Determination Notice is executed by the Applicant and returned to the Department with the appropriate Commitment Fee as further described in §49.20(f) of this title, the following documents must also be provided to the Department. Failure to provide these documents may cause the Commitment to be rescinded. Organizational Documents. For each Applicant all of the following must be provided:

(1) Evidence that the entity has the authority to do business in Texas;

(2) A Certificate of Account Status from the Texas Comptroller of Public Accounts or, if such a Certificate is not available because the entity is newly formed, a statement to such effect; and a Certificate of Organization from the Secretary of State;

(3) Copies of the entity's governing documents, including, but not limited to, its Articles of Incorporation, Articles of Organization, Certificate of Limited Partnership, Bylaws, Regulations and/or Partnership Agreement; and

(4) Evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control and that those Persons signing the Application constitute all Persons required to sign or submit such documents.

§~~50.~~49.14. Carryover, 10% Test, Commencement of Substantial Construction.

(a) **Carryover.** All Developments which received a Commitment Notice, and will not be placed in service and receive IRS Form 8609 in the year the Commitment Notice was issued, must submit the Carryover documentation to the Department no later than November 1 of the year in which the Commitment Notice is issued. Developments involving acquisition/rehabilitation must submit the Carryover documentation to the Department no later than December 1 of the year in which the Commitment Notice is issued, however they will be ineligible for extensions beyond that date. Commitments for credits will be terminated if the Carryover documentation, or an approved extension, has not been received by this deadline. In the event that a Development Owner intends to submit the Carryover documentation in any month preceding November of the year in which the Commitment Notice is issued, in order to fix the Applicable Percentage for the Development in that month, it must be submitted no later than the first Friday in the preceding month. If the financing structure, syndication rate, amount of debt or syndication proceeds are revised at the time of Carryover from what was proposed in the original Application, applicable documentation of such changes must be provided and the Development may be reevaluated by the Department. The Carryover Allocation format must be properly completed and delivered to the Department as prescribed by the Carryover Allocation Procedures Manual. All Carryover Allocations will be contingent upon the following, in addition to all other conditions placed upon the Application in the Commitment Notice:

(1) The Development Owner must have purchased the property for the Development.

(2) A current original plat or survey of the land, prepared by a duly licensed Texas Registered Professional Land Surveyor. Such survey shall conform to standards prescribed in the Manual of Practice for Land Surveying in Texas as promulgated and amended from time to time by the Texas Surveyors Association as more fully described in the Carryover Procedures Manual.

~~(3) A review of information provided by the IRS as permitted pursuant to IRS Form 8821, Tax Information Authorization, for the release of tax information relating to non-disclosure or recapture issues. Each Development Owner, General Partner and Principal must execute and provide to the Department Form 8821~~

~~within ten business days of the issuance of a Commitment Notice or Determination Notice. Any information provided by the IRS will be evaluated by the Department 50and may be utilized by the Board to determine if a Carryover Allocation will be made.~~

(3~~4~~) Attendance of the Development Owner and Development architect at ~~eight hours of~~ Department-approved Fair Housing training on or before the time the 10% Test Documentation is submitted ~~closing of the construction loan.~~

(4~~5~~) For all Developments involving new construction, evidence of the availability of all necessary utilities/services to the Development site must be provided. Necessary utilities include natural gas (if applicable), electric, trash, water, and sewer. Such evidence must be a letter or a monthly utility bill from the appropriate municipal/local service provider. If utilities are not already accessible, then the letter must clearly state: an estimated time frame for provision of the utilities, an estimate of the infrastructure cost, and an estimate of any portion of that cost that will be borne by the Development Owner. Letters must be from an authorized individual representing the organization which actually provides the services. Such documentation should clearly indicate the Development property. If utilities are not already accessible (undeveloped areas), then the letter should not be older than three months from the first day of the Application Acceptance Period.

(5~~6~~) Development Owners must provide evidence to the Department that they have notified the District office of the Texas Department of Transportation of their proposed property consistent with the template provided in the Carryover Allocation Procedures Manual.

(b) **10% Test.** No later than six months from the effective date of the Carryover Allocation Document, which will be defined in the Carryover Allocation Document as December 31 of the year of the Housing Credit Allocation, ~~is executed by the Department and the Development Owner,~~ more than 10% of the Development Owner's reasonably expected basis must have been incurred pursuant to §42(h)(1)(E)(i) and (ii) of the Internal Revenue Code and Treasury Regulations, §1.42-6. The evidence to support the satisfaction of this requirement must be submitted to the Department no later than June 30 of the year following the execution of the Carryover Allocation Document in a format prescribed by the Department.

(c) **Commencement of Substantial Construction.** The Development Owner must submit evidence of having commenced and continued substantial construction activities. The evidence must be submitted not later than December 1 of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §49.20 of this title. The minimum activity necessary to meet the requirement of the substantial construction for new Developments will be defined as having expended 10% of the construction contract amount for the Development, adjusted for any change orders, and as documented by both the most recent construction contract application for payment and the inspecting architect. The minimum activity necessary to meet the requirement of substantial construction for rehabilitation Development will be defined as having expended 10% of the construction budget as documented by the inspecting architect. Evidence of such activity shall be provided in a format prescribed by the Department.

~~§50.15. Closing of the Construction Loan, Commencement of Substantial Construction.~~

~~(a) **Closing of the Construction Loan.** The Development Owner must submit evidence of having closed the construction loan. The evidence must be submitted no later than June 1 of the year after the execution of the Carryover Allocation Document, and no later than 14 days after the closing of the construction loan for Tax Exempt Bond Developments, with the possibility of an extension as described in §50.21 of this title. At the time of submission of the documentation, the Development Owner must also submit a Management Plan and an Affirmative Marketing Plan as further described in the Carryover Allocation Procedures Manual. The Carryover Allocation will automatically be terminated if the Development Owner fails to meet the aforementioned closing deadline (taking into account any extensions), and has not had an extension approved, and all credits previously allocated to that Development will be recovered and become a part of the State Housing Credit Ceiling for the applicable year. Owners of Tax Exempt Bond Developments will be fined $2,500 if this requirement is not fulfilled.~~

~~(b) **Commencement of Substantial Construction**. The Development Owner must submit evidence of having commenced and continued substantial construction activities. The evidence must be submitted not later than December 1 of the year after the execution of the Carryover Allocation Document with the possibility of an extension as described in §50.21 of this title. The minimum activity necessary to meet the requirement of substantial construction for new Developments will be defined as having expended 10% of the construction contract amount for the Development, adjusted for any change orders, and as documented by both the most recent construction contract application for payment and the inspecting architect. The minimum activity necessary to meet the requirement of substantial construction for rehabilitation Developments will be defined as~~

~~having expended 10% of the construction budget as documented by the inspecting architect. Evidence of such activity shall be provided in a format prescribed by the Department.~~

§~~50.~~49.15~~16~~. Cost Certification, LURA.

(a) Cost Certification. If a Carryover Allocation was not requested and received, Developments must be placed in service by December 31 of the year the Commitment Notice was issued. Developments receiving a Carryover Allocation must be placed in service by December 31 of the second year following the year the Carryover Allocation Agreement was executed. Developments requesting IRS Forms 8609 must submit the required Cost Certification documentation no later than April 1 of the year following the date the buildings were placed in service. Any Developments issued a Commitment Notice or Determination Notice that fails to submit its Cost Certification documentation by this time will be reported to the IRS~~.~~ and the Owner will be required to submit a request for extension consistent with §49.20(l) of this title. The Department will perform an initial evaluation of the Cost Certification documentation within 45 days from the date of receipt of the Cost Certification documentation and notify the Owner in a deficiency letter of all additional required documentation. Once the Department has determined that all required documents have been received, the Department will issue IRS Forms 8609 no later than 90 days from the date of receipt of those final documents. Any deficiency letters issued to the Owner pertaining to the Cost Certification documentation will also be copied to the syndicator. At the time the Cost Certification documentation is provided, a title policy or 'nothing further certificate' must be provided dated on or after the date of substantial completion.

(b) **Land Use Restriction Agreement (LURA).** The Development Owner must request a LURA from the Department no later than the date specified in §60.1(p)(6), the Department's Compliance Monitoring Policies and Procedures.~~September 1 of the first year in which credits will be claimed.~~ The Development Owner must date, sign and acknowledge before a notary public the LURA and send the original to the Department for execution by December 1 of the first year in which credits will be claimed. The initial compliance and monitoring fee must be accompanied by a statement, signed by the Owner, indicating the start of the Development's Credit Period and the earliest placed in service date for the Development buildings. ~~In addition, the initial compliance and monitoring fee must also be submitted to the Department by December 1 of that same year.~~ After receipt of the signed LURA from the Department, the Development Owner shall then record the~~said~~ LURA, along with any and all exhibits attached thereto, in the real property records of the county where the Development is located and return the original document, duly certified as to recordation by the appropriate county official, to the Department no later than the date that the Cost Certification Documentation is submitted to the Department. If any liens (other than mechanics' or materialmen's liens) shall have been recorded against the Development and/or the Property prior to the recording of the LURA, the Development Owner shall obtain the subordination of the rights of any such lienholder, or other effective consent, to the survival of certain obligations contained in the LURA, which are required by §42(h)(6)(E)(ii) of the Code to remain in effect following the foreclosure of any such lien. Receipt of such certified recorded original LURA by the Department is required prior to issuance of IRS Form 8609. A representative of the Department, or assigns, shall physically inspect the Development for compliance with the Application and the representati~~ves~~ons, warranties, covenants, agreements and undertakings contained therein. Such inspection will be conducted before the IRS Form 8609 is issued for a building, but it shall be conducted in no event later than the end of the second calendar year following the year the last building in the Development is placed in service. The Development Owner for Tax Exempt Bond Developments shall obtain a subordination agreement wherein the lien of the mortgage is subordinated to the LURA.

§~~50.~~49.16~~17~~. Housing Credit Allocations.

(a) In making a commitment of a Housing Credit Allocation under this chapter, the Department shall rely upon information contained in the Application to determine whether a building is eligible for the credit under the Code, §42. The Development Owner shall bear full responsibility for claiming the credit and assuring that the Development complies with the requirements of the Code, §42. The Department shall have no responsibility for ensuring that a Development Owner who receives a Housing Credit Allocation from the Department will qualify for the housing credit.

(b) The Housing Credit Allocation Amount shall not exceed the dollar amount the Department determines is necessary for the financial feasibility and the long term viability of the Development throughout the affordability period. [2306.6711(b)] Such determination shall be made by the Department at the time of issuance of the Commitment Notice or Determination Notice; at the time the Department makes a Housing Credit Allocation; and as of the date each building in a Development is placed in service. Any Housing Credit Allocation Amount specified in a Commitment Notice, Determination Notice or Carryover Allocation Document is subject to change by the Department based upon such determination. Such a determination shall be made by the Department based on its evaluation and procedures, considering the items specified in the Code, §42(m)(2)(B), and the department in no way or manner represents or warrants to any Applicant, sponsor, investor, lender or other entity that the Development is, in fact, feasible or viable.

(c) The General Contractor hired by the Development Owner must meet specific criteria as defined by the Seventy-fifth Legislature. A General Contractor hired by a Development Owner or a Development Owner, if the Development Owner serves as General Contractor must demonstrate a history of constructing similar types of housing without the use of federal tax credits. Evidence must be submitted to the Department, in accordance with §~~50.~~49.9(f)(4)(H) of this title, which sufficiently documents that the General Contractor has constructed some housing without the use of Housing Tax Credits. This documentation will be required as a condition of the commitment notice or carryover agreement, and must be complied with prior to commencement of construction and at cost certification and final allocation of credits.

(d) An allocation will be made in the name of the Development Owner identified in the related Commitment Notice or Determination Notice. If an allocation is made to a member or Affiliate of the ownership entity proposed at the time of Application, the Department will transfer the allocation to the ownership entity as consistent with the intention of the Board when the Development was selected for an award of tax credits.~~.~~ Any other transfer of an allocation will be subject to review and approval by the Department consistent with §~~50.~~49.17~~18~~(c) of this title. The approval of any such transfer does not constitute a representation to the effect that such transfer is permissible under §42 of the Code or without adverse consequences thereunder, and the Department may condition its approval upon receipt and approval of complete current documentation regarding the owner including documentation to show consistency with all the criteria for scoring, evaluation and underwriting, among others, which were applicable to the original Applicant.

(e) The Department shall make a Housing Credit Allocation, either in the form of IRS Form 8609, with respect to current year allocations for buildings placed in service, or in the Carryover Allocation Document, for buildings not yet placed in service, to any Development Owner who holds a Commitment Notice which has not expired, and for which all fees as specified in §~~50.~~49.20~~21~~ of this title have been received by the Department and with respect to which all applicable requirements, terms and conditions have been met. For Tax Exempt Bond Developments, the Housing Credit Allocation shall be made in the form of a Determination Notice. For an IRS Form 8609 to be issued with respect to a building in a Development with a Housing Credit Allocation, satisfactory evidence must be received by the Department that such building is completed and has been placed in service in accordance with the provisions of the Department's Cost Certification Procedures Manual. The Cost Certification documentation requirements will include a certification and inspection report prepared by a Third-Party accredited accessibility inspector to certify that the Development meets all required accessibility standards. IRS Form 8609 will not be issued until the certifications are received by the Department. The Department shall mail or deliver IRS Form 8609 (or any successor form adopted by the Internal Revenue Service) to the Development Owner, with Part I thereof completed in all respects and signed by an authorized official of the Department. The delivery of the IRS Form 8609 will occur only after the Development Owner has complied with all procedures and requirements listed within the Cost Certification Procedures Manual. Regardless of the year of Application to the Department for Housing Tax Credits, the current year's Cost Certification Procedures Manual must be utilized when filing all cost certification materials. A separate Housing Credit Allocation shall be made with respect to each building within a Development which is eligible for a housing credit; provided, however, that where an allocation is made pursuant to a Carryover Allocation Document on a Development basis in accordance with the Code, §42(h)(1)(F), a housing credit dollar amount shall not be assigned to particular buildings in the Development until the issuance of IRS Form 8609s with respect to such buildings. The Department may delay the issuance of IRS Form 8609 if any Development violates the representations of the Application.

(f) In making a Housing Credit Allocation, the Department shall specify a maximum Applicable Percentage, not to exceed the Applicable Percentage for the building permitted by the Code, §42(b), and a maximum Qualified Basis amount. In specifying the maximum Applicable Percentage and the maximum Qualified Basis amount, the Department shall disregard the first-year conventions described in the Code, §42(f)(2)(A) and §42(f)(3)(B). The Housing Credit Allocation made by the Department shall not exceed the amount necessary to support the extended low income housing commitment as required by the Code, §42(h)(6)(C)(i).

(g) Development inspections shall be required to show that the Development is built or rehabilitated according to required plans and specifications. At a minimum, all Development inspections must include an inspection for quality during the construction process while defects can reasonably be corrected and a final inspection at the time the Development is placed in service. All such Development inspections shall be performed by the Department or by an independent Third Party inspector acceptable to the Department. The

Development Owner shall pay all fees and costs of said inspections as described in §~~50.~~49.20~~21~~ of this title. For properties receiving financing through TX-USDA-RHS, the Department shall accept the inspections performed by TX-USDA-RHS in lieu of having other Third party Inspections. [2306.081]

(h) After the entire Development is placed in service, which must occur prior to the deadline specified in the Carryover Allocation Document and as further outlined in §~~50.~~49.15~~16~~ of this title, the Development Owner shall be responsible for furnishing the Department with documentation which satisfies the requirements set forth in the Cost Certification Procedures Manual. For purposes of this title, and consistent with IRS Notice 88-116, the placed in service date for a new or existing building used as residential rental property is the date on which the building is ready and available for its specifically assigned function and more specifically when the first Unit in the building is certified as being suitable for occupancy in accordance with state and local law and as certified by the appropriate local authority or registered architect as ready for occupancy. The Cost Certification must be submitted for the entire Development; therefore partial Cost Certifications are not allowed. The Department may require copies of invoices and receipts and statements for materials and labor utilized for the new construction or rehabilitation and, if applicable, a closing statement for the acquisition of the Development as well as for the closing of all interim and permanent financing for the Development. If the Development Owner does not fulfill all representations and commitments made in the Application, the Department may make reasonable reductions to the tax credit amount allocated via the IRS Form 8609, may withhold issuance of the IRS Form 8609s until these representations and commitments are met, and/or may terminate the allocation, if appropriate corrective action is not taken by the Development Owner.

(i) The Board at its sole discretion may allocate credits to a Development Owner in addition to those awarded at the time of the initial Carryover Allocation in instances where there is bona fide substantiation of cost overruns and the Department has made a determination that the allocation is needed to maintain the Development's financial viability.

(j) The Department may, at any time and without additional administrative process, determine to award credits to Developments previously evaluated and awarded credits if it determines that such previously awarded credits are or may be invalid and the owner was not responsible for such invalidity. The Department may also consider an amendment to a Commitment Notice or Carryover Allocation or other requirement with respect to a Development if the revisions:

(1) are consistent with the Code and the Housing Tax Credit Program;

(2) do not occur while the Development is under consideration for tax credits;

(3) do not involve a change in the number of points scored (unless the Development's ranking is adjusted because of such change);

(4) do not involve a change in the Development's site; or

(5) do not involve a change in the set-aside election.

§~~50.~~49.17~~18~~ Board Reevaluation, Appeals; Amendments, Housing Tax Credit and Ownership Transfers, Sale of Tax Credit Properties, Withdrawals, Cancellations.

(a) **Board Reevaluation.** [2306.6731(b)] Regardless of development stage, the Board shall reevaluate a Development that undergoes a substantial change between the time of initial Board approval of the Development and the time of issuance of a Commitment Notice or Determination Notice for the Development. For the purposes of this subsection, substantial change shall be those items identified in subsection (c)(3) of this section. The Board may revoke any Commitment Notice or Determination Notice issued for a Development that has been unfavorably reevaluated by the Board.

(b) **Appeals Process.** [2306.6715] An Applicant may appeal decisions made by the Department as follows.

(1) The decisions that may be appealed are identified in subparagraphs (A) through (C) of this paragraph.

(A) a determination regarding the Application's satisfaction of:

(i) Eligibility Requirements;

(ii) Disqualification or debarment criteria;

(iii) Pre-Application or Application Threshold Criteria;

(iv) Underwriting Criteria;

(B) the scoring of the Application under the Application Selection Criteria; and

(C) a recommendation as to the amount of housing tax credits to be allocated to the Application.

(D) Any Department decision that results in termination of an Application.

(2) An Applicant may not appeal a decision made regarding an Application filed by another Applicant.

(3) An Applicant must file its appeal in writing with the Department not later than the seventh day after the date the Department publishes the results of any stage of the Application evaluation process identified in §~~50.~~49.9 of this title. In the appeal, the Applicant must specifically identify the Applicant's grounds for appeal,

based on the original Application and additional documentation filed with the original Application. If the appeal relates to the amount of housing tax credits recommended to be allocated, the Department will provide the Applicant with the underwriting report upon request.

(4) The Executive Director of the Department shall respond in writing to the appeal not later than the 14th day after the date of receipt of the appeal. If the Applicant is not satisfied with the Executive Director's response to the appeal, the Applicant may appeal directly in writing to the Board, provided that an appeal filed with the Board under this subsection must be received by the Board before:

(A) the seventh day preceding the date of the Board meeting at which the relevant commitment decision is expected to be made; or

(B) the third day preceding the date of the Board meeting described by subparagraph (A) of this paragraph, if the Executive Director does not respond to the appeal before the date described by subparagraph (A) of this paragraph.

(5) Board review of an appeal under paragraph (4) of this subsection is based on the original Application and additional documentation filed with the original Application. The Board may not review any information not contained in or filed with the original Application. The decision of the Board regarding the appeal is final.

(6) The Department will post to its web site an appeal filed with the Department or Board and any other document relating to the processing of the appeal. [2306.67174(a)(54)]

(c) **Amendment of Application Subsequent to Allocation by Board.** [2306.6712 and 2306.6717(a)(4)]

(1) If a proposed modification would materially alter a Development approved for an allocation of a housing tax credit, or if the Applicant has altered any selection criteria item for which it received points, the Department shall require the Applicant to file a formal, written request for an amendment to the Application.

(2) The Executive Director of the Department shall require the Department staff assigned to underwrite Applications to evaluate the amendment and provide an analysis and written recommendation to the Board. The appropriate party monitoring compliance during construction in accordance with §~~50.~~49.18~~19~~ of this title shall also provide to the Board an analysis and written recommendation regarding the amendment.

(3) For Applications approved by the Board prior to September 1, 2001, the Executive Director will approve or deny the amendment request. For Applications approved by the Board after September 1, 2001, the Board must vote on whether to approve the amendment. The Board by vote may reject an amendment and, if appropriate, rescind a Commitment Notice or terminate the allocation of housing tax credits and reallocate the credits to other Applicants on the Waiting List if the Board determines that the modification proposed in the amendment:

(A) would materially alter the Development in a negative manner; or

(B) would have adversely affected the selection of the Application in the Application Round.

(4) Material alteration of a Development includes, but is not limited to:

(A) a significant modification of the site plan;

(B) a modification of the number of units or bedroom mix of units;

(C) a substantive modification of the scope of tenant services;

(D) a reduction of three percent or more in the square footage of the units or common areas;

(E) a significant modification of the architectural design of the Development;

(F) a modification of the residential density of the Development of at least five percent; (G) an increase or decrease in the site acreage of greater than 10% from the original site under control and proposed in the Application; and

(H) any other modification considered significant by the Board.

(5) In evaluating the amendment under this subsection, the Department staff shall consider whether the need for the modification proposed in the amendment was:

(A) reasonably foreseeable by the Applicant at the time the Application was submitted; or

(B) preventable by the Applicant.

(6) This section shall be administered in a manner that is consistent with the Code, §42.

(7) Before the 15th day preceding the date of Board action on the amendment, notice of an amendment and the recommendation of the Executive Director and monitor regarding the amendment will be posted to the Department's web site.

(8) In the event that an Applicant or Developer seeks to be released from the commitment to serve the income level of tenants targeted in the original Application, the following procedure will apply. For amendments that involve a reduction in the total number of low income Units being served, or a reduction in the number of low income Units at any level of AMGI represented at the time of Application, evidence must be presented to the Department that includes written confirmation from the lender and syndicator that the Development is infeasible without the adjustment in Units. The Board may or may not approve the amendment request, however, any affirmative recommendation to the Board is contingent upon concurrence from the Real Estate Analysis Division that the Unit adjustment (or an alternative Unit adjustment) is necessary for the continued

feasibility of the Development. Additionally, if it is determined by the Department that the allocation of credits would not have been made in the year of allocation because the loss of low income targeting points would have resulted in the Application not receiving an allocation, and the amendment is approved by the Board, the approved amendment will carry a penalty that prohibits the Applicant and all persons or entities with any ownership interest in the Application (excluding any tax credit purchaser/syndicator), from participation in the Housing Tax Credit Program (4% or 9%) for 24 months from the time that the amendment is approved.

(d) **Housing Tax Credit and Ownership Transfers.** [2306.6713] A Development Owner may not transfer an allocation of housing tax credits or ownership of a Development supported with an allocation of housing tax credits to any Person other than an Affiliate of the Development Owner unless the Development Owner obtains the Executive Director's prior, written approval of the transfer. The Executive Director may not unreasonably withhold approval of the transfer.

(1) Transfers will not be approved prior to the issuance of IRS Forms 8609 unless the Development Owner can provide evidence that a hardship is creating the need for the transfer (potential bankruptcy, removal by a partner, etc.). A Development Owner seeking Executive Director approval of a transfer and the proposed transferee must provide to the Department a copy of any applicable agreement between the parties to the transfer, including any third-party agreement with the Department.

(2) A Development Owner seeking Executive Director approval of a transfer must provide the Department with documentation requested by the Department, including but not limited to, a list of the names of transferees and Related Parties; and detailed information describing the experience and financial capacity of transferees and related parties. All transfer requests must disclose the reason for the request.~~ and specifically disclose if the transfer is requested because a Person active in the Development is being, or has been, removed by the lender, equity provider, or limited partners for its failure to perform its obligations under the loan documents or limited partnership agreement.~~ The Development Owner shall certify to the Executive Director that the tenants in the Development have been notified in writing of the transfer before the 30th day preceding the date of submission of the transfer request to the Department. Not later than the fifth working day after the date the Department receives all necessary information under this section, the Department shall conduct a qualifications review of a transferee to determine the transferee's past compliance with all aspects of the Housing Tax Credit Program, LURAs; and the sufficiency of the transferee's experience with Developments supported with Housing Credit Allocations. If the viable operation of the Development is deemed to be in jeopardy by the Department, the Department may authorize changes that were not contemplated in the Application.

(3) As it relates to the Credit Cap further described in §49.6(d) of this section, the credit cap will not be applied in the following circumstances:

(A) in cases of transfers in which the syndicator, investor or limited partner is taking over ownership of the Development and not merely replacing the general partner; or

(B) in cases where the general partner is being replaced if the award of credits was made at least five years prior to the transfer request date.

(e) **Sale of Certain Tax Credit Properties**. Consistent with 2306.6726, Texas Government Code, not later than two years before the expiration of the Compliance Period, a Development Owner who agreed to provide a right of first refusal under 2306.6725, Texas Government Code and who intends to sell the property shall notify the Department of its intent to sell.

(1) The Development Owner shall notify Qualified Nonprofit Organizations and tenant organizations of the opportunity to purchase the Development. The Development Owner may:

(A) during the first six-month period after notifying the Department, negotiate or enter into a purchase agreement only with a Qualified Nonprofit Organization that is also a community housing development organization as defined by the federal home investment partnership program;

(B) during the second six-month period after notifying the Department, negotiate or enter into a purchase agreement with any Qualified Nonprofit Organization or tenant organization; and

(C) during the year before the expiration of the compliance period, negotiate or enter into a purchase agreement with the Department or any Qualified Nonprofit Organization or tenant organization approved by the Department.

(2) Notwithstanding items for which points were received consistent with §~~50.~~49.9(g) of this title, a Development Owner may sell the Development to any purchaser after the expiration of the compliance period if a Qualified Nonprofit Organization or tenant organization does not offer to purchase the Development at the minimum price provided by §42(i)(7), Internal Revenue Code of 1986 (26 U.S.C. Section 42(i)(7)), and the Department declines to purchase the Development.

(f) **Withdrawals.** An Applicant may withdraw an Application prior to receiving a Commitment Notice, Determination Notice, Carryover Allocation Document or Housing Credit Allocation, or may cancel a Commitment Notice or Determination Notice by submitting to the Department a notice, as applicable, of withdrawal or cancellation, and making any required statements as to the return of any tax credits allocated to the Development at issue.

(g) **Cancellations.** The Department may cancel a Commitment Notice, Determination Notice or Carryover Allocation prior to the issuance of IRS Form 8609 with respect to a Development if:

(1) The Applicant or the Development Owner, or the Development, as applicable, fails to meet any of the conditions of such Commitment Notice or Carryover Allocation or any of the undertakings and commitments made by the Development Owner in the Applications process for the Development;

(2) any statement or representation made by the Development Owner or made with respect to the Development Owner or the Development is untrue or misleading;

(3) an event occurs with respect to the Applicant or the Development Owner which would have made the Development's Application ineligible for funding pursuant to §~~50.~~49.5 of this title if such event had occurred prior to issuance of the Commitment Notice or Carryover Allocation; or

(4) The Applicant or the Development Owner or the Development, as applicable, fails to comply with these Rules or the procedures or requirements of the Department.

(h) **Alternative Dispute Resolution Policy.** In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation.~~ and nonbinding arbitration.~~ Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and ~~a~~Applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an ~~a~~Applicant or other person would like to engage the Department in an ADR procedure~~process~~, the person may send a proposal to the Department's ~~General Counsel and~~ Dispute Resolution Coordinator (fax: 512-475-3978). For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 Texas Administrative Code §1.17.~~The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.~~

§~~50.~~49.18~~19~~. Compliance Monitoring and Material Non-Compliance.

(a) The Code, §42(m)(1)(B)(iii), requires the Department as the housing credit agency to include in its QAP a procedure that the Department will follow in monitoring Developments for compliance with the provisions of the Code, §42 and in notifying the IRS of any noncompliance of which the Department becomes aware. Detailed compliance rules and procedures for monitoring are set forth in Department Rule §60.1 of this title.~~, to be proposed and in the Owner's Compliance Manual prepared by the Department's Compliance Division, as amended from time to time. Such procedure only addresses forms and records that may be required by the Department to enable the Department to monitor a Development for violations of the Code and the LURA and to notify the IRS of any such non-compliance. This procedure does not address forms and other records that may be required of Development Owners by the IRS more generally, whether for purposes of filing annual returns or supporting Development Owner tax positions during an IRS audit.~~

~~(b) The Department, through the division with responsibility for compliance matters, shall monitor for compliance with all applicable requirements the entire construction or rehabilitation phase associated with any Development under this title. The Department will monitor under this requirement by requiring a copy of reports from all construction inspections performed for the lender and/or syndicator for the Development. Those reports must indicate that the Department may rely on those reports. The Department may provide those inspectors for the lender and/or syndicator with required documentation to be completed that will confirm satisfaction of the requirements of this rule. If necessary, the Department may obtain a Third Party inspection report for purposes of monitoring. The Development Owner must provide the Department with copies of all inspections made throughout the construction of the Development within fifteen days of the date the inspection occurred. The Department, or any Third Party inspector hired by the Department, shall be provided, upon request, any construction documents, plans or specifications for the Development to perform these inspections. If reports are not submitted to the Department or can not be relied upon, the Applicant will be responsible for payment of any necessary inspections. The monitoring level for each Development must be based on the amount of risk~~

~~associated with the Development. The Department shall use the division responsible for credit underwriting matters and the division responsible for compliance matters to determine the amount of risk associated with each Development. After completion of a Development's construction phase, the Department shall periodically review the performance of the Development to confirm the accuracy of the Department's initial compliance evaluation during the construction phase. Developments having financing from TX-USDA-RHS will be exempt from these inspections, provided that the Development Owner provides the Department with copies of all inspections made by TX-USDA-RHS throughout the construction of the Development within fifteen days of the date the inspection occurred. [2306.081(a) to (c); 2306.6719]~~

~~(c) The Department will monitor compliance with all representations made by the Development Owner in the Application and in the LURA, whether required by the Code, Treasury Regulations or other rulings of the IRS, or undertaken by the Development Owner in response to Department requirements or criteria.~~

~~(d) The Development Owner must collect information and retain records for each qualified low income building in the Development, on a monthly basis (with respect to the first year of a building's Credit Period and on an annual basis, thereafter in accordance with IRS Regulation 1.42-5(b)(1) and (2)).~~

~~(e) The Development Owner will deliver to the Department no later than the last day in April each year, the current audited financial statements, in form and content satisfactory to the Department, itemizing the income and expenses of the Development for the prior year.~~

~~(f) Specifically, to evidence compliance with the requirements of the Code, §42(h)(6)(B)(iv) which requires that the LURA prohibit Development Owners of all tax credit Developments placed in service after August 10, 1993 from refusing to lease to persons holding Section 8 vouchers or certificates because of their status as holders of such Section 8 voucher or certificate. Development Owners must comply with Department rules under 10 TAC §1.14 of this title. [2306.6728 and 2306.269(b)(1) and (2)]~~

~~(g) Certification and Review.~~

~~(1) On or before February 1st of each year, the Department will send each Development Owner of a completed Development the Fair Housing Sponsor Report (form provided by the Department) to be completed by the Development Owner and returned to the Department on or before the first day of March of each year in the Compliance Period. Any Development for which the certification is not received by the Department, is received past due, or is incomplete, improperly completed or not signed by the Development Owner, will be considered not in compliance with the provisions of §42 of the Code and reported to the IRS on Form 8823, Low Income Housing Credit Agencies Report of Non Compliance. The Fair Housing Sponsor Report, Part A "Owner's Certification of Program Compliance" shall cover the preceding calendar year and shall at a minimum cover the requirements under IRS Regulation 1.42-5(c) and §60.1 of this title, to be proposed.~~

~~(2) Review.~~

~~(A) The Department staff will review the Fair Housing Sponsor Report for compliance with the requirements of the Code, §42.~~

~~(B) The Department will monitor the Development for compliance under Section 42 and §60.1 of this title, to be proposed.~~

~~(C) The Department will perform on-site inspections of all buildings in each low income Development by the end of the second calendar year following the year the last building in the Development is placed in service and, for at least 20% of the low income Units in each Development, inspect the Units and review the low income certifications, the documentation the Development Owner has received to support the certifications, the rent records for each low income tenant in those Units, and any additional information that the Department deems necessary.~~

~~(D) At least once every three years, the Department will conduct on-site inspections of all buildings in the Development, and for at least 20% of the Development's low income Units, inspect the Units and review the low income certifications, the documentation supporting the certifications, and the rent records for the tenants in those Units.~~

~~(3) Exception. The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS, whereby the TX-USDA-RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed by the TX-USDA-RHS under its §515 program. Owners of such buildings may be excepted from the review procedures of subparagraph (B) or (C) of paragraph (2) of this subsection or both; however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions of the Code, §42(g)(1) and (2), are met, the Development Owner must provide the Department with additional information. TX-USDA-RHS Developments~~

~~satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS , which includes persons with disabilities.~~

~~(h) Inspection provision. The Department retains the right to perform an on site inspection of any low income Development including all books and records pertaining thereto through either the end of the Compliance Period or the end of the period covered by any Extended Low Income Housing Commitment, whichever is later. An inspection under this subsection may be in addition to any review under subsection (g)(2)(C) of this section.~~

~~(i) Inspection Standard. For the on-site inspections of buildings and low income Units, the Department shall review any local health, safety, or building code violations reported to, or notices of such violations provided by the Development Owner, and determine whether the Units satisfy local health, safety, and building codes or the uniform physical condition standards for public housing established by HUD (24 CFR 5.703). The HUD physical condition standards do not supersede or preempt local health, safety and building codes. Developments must continue to satisfy these codes and if the Department becomes aware of any violation of these codes, the violations must be reported to the IRS.~~

~~(j) The Department retains the right to require the Owner to submit tenant data in the electronic format as developed by the Department. The Department will provide general instruction regarding the electronic transfer of data.~~

~~(k) Notices to Owner. The Department will provide prompt written notice to the Development Owner if the Department does not receive the certification described in subsection (g)(1) of this section or discovers through audit, inspection, review or any other manner, that the Development is not in compliance with the provisions of the Code, §42 or the LURA. The notice will specify a correction period which will not exceed 90 days from the date of notice to the Development Owner, during which the Development Owner may respond to the Department's findings, bring the Development into compliance, or supply any missing certifications. The Department may extend the correction period for up to six months from the date of notice to the Development Owner if it determines there is good cause for granting an extension. If any communication to the Development Owner under this section is returned to the Department as unclaimed or undeliverable, the Development may be considered not in compliance without further notice to the Development Owner.~~

~~(l) Notice to the IRS.~~

~~(1) Regardless of whether the noncompliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed not later than 45 days after the end of the correction period specified in the Notice to Owner (including any extensions permitted by the Department), but will not be filed before the end of the correction period. The Department will explain on IRS Form 8823 the nature of the noncompliance and will indicate whether the Development Owner has corrected the non-compliance or failure to certify.~~

~~(2) If a particular instance of non-compliance is not corrected within three years after the end of the permitted correction period, the Department is not required to report any subsequent correction to the IRS.~~

~~(3) The Department will retain records of noncompliance or failure to certify for six years beyond the Department's filing of the respective IRS Form 8823. In all other cases, the Department will retain the certification and records described in this section for three years from the end of the calendar year the Department receives the certifications and records.~~

~~(m) Notices to the Department. A Development Owner must comply with §50.18(d) of this title for the event listed in paragraph (1) of this subsection and must notify the division responsible for compliance within the Department in writing of the events listed in paragraphs (2) and (3) of this subsection.~~

~~(1) prior to any sale, transfer, exchange, or renaming of the Development or any portion of the Development. For Rural Developments that are federally assisted or purchased from HUD, the Department shall not authorize the sale of any portion of the Development;~~

~~(2) any change of address to which subsequent notices or communications shall be sent; or~~

~~(3) within thirty days of the placement in service of each building, the Department must be provided the in service date of each building.~~

~~(n) Liability. Compliance with the requirements of the Code, §42 is the sole responsibility of the Development Owner of the building for which the credit is allowable. By monitoring for compliance, the Department in no way assumes any liability whatsoever for any action or failure to act by the Development Owner including the Development Owner's noncompliance with the Code, §42.~~

~~(o) These provisions apply to all buildings for which a housing tax credit is, or has been, allowable at any time. The Department is not required to monitor whether a building or Development was in compliance with the~~

~~requirements of the Code, §42, prior to January 1, 1992. However, if the Department becomes aware of noncompliance that occurred prior to January 1, 1992, the Department is required to notify the IRS in a manner consistent with subsection (j) of this section.~~

~~(p) Material Non-Compliance. [2306.185(a)] In accordance with §50.5(b)(3) and (4) of this title, the Department will disqualify an Application for funding if the Applicant, the Development Owner, or the General Contractor, or any Affiliate of the General Contractor that is active in the ownership or Control of one or more other low income rental housing properties located in or outside the State of Texas is determined by the Department to be in Material Non-Compliance on the date the Application Round closes. The Department will classify a property as being in Material Non-Compliance when such property has a Non-Compliance score that is equal to or exceeds 30 points in accordance with the methodology and point system set forth in this subsection, or if in accordance with §50.5(b)(4) of this title, the Department makes a determination that the non-compliance reported would equal or exceed a non-compliance score of 30 points if measured in accordance with the methodology and point system set forth in §60.1 of this title, to be proposed.~~

~~(q) Utility Allowances utilized during affordability period. The Department will monitor to determine whether rents comply with the published tax credit rent limits using the utility allowances established by the local housing authority. If there is more than one entity (Section 8 administrator, public housing authority) responsible for setting the utility allowance(s) in the area of the Development location, then the Utility Allowance selected must be the one which most closely reflects the actual utility costs in that Development area. In this case, documentation from the local utility provider supporting the selection must be provided.~~

§~~50.~~49.19~~20~~. Department Records, Application Log, IRS Filings.

(a) **Department Records.** At all times during each calendar year the Department shall maintain a record of the following:

(1) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Commitment Notices during such calendar year;

(2) the cumulative amount of the State Housing Credit Ceiling that has been committed pursuant to Carryover Allocation Documents during such calendar year;

(3) the cumulative amount of Housing Credit Allocations made during such calendar year; and

(4) the remaining unused portion of the State Housing Credit Ceiling for such calendar year.

(b) **Application Log.** [2306.6702(a)(3) and 2306.6709] The Department shall maintain for each Application an Application Log that tracks the Application from the date of its submission. The Application Log will contain, at a minimum, the information identified in paragraphs (1) through (9) of this subsection.

(1) the names of the Applicant and all General Partners of the Development Owner, the owner contact name and phone number, and full contact information for all members of the Development Team;

(2) the name, physical location, and address of the Development, including the relevant Uniform State Service Region of the state;

(3) the number of Units and the amount of housing tax credits requested for allocation by the Department to the Applicant;

(4) any Set-Aside category under which the Application is filed;

(5) the requested and awarded score of the Application in each scoring category adopted by the Department under the Qualified Allocation Plan;

(6) any decision made by the Department or Board regarding the Application, including the Department's decision regarding whether to underwrite the Application and the Board's decision regarding whether to allocate housing tax credits to the Development;

(7) the names of individuals making the decisions described by paragraph (6) of this subsection, including the names of Department staff scoring and underwriting the Application, to be recorded next to the description of the applicable decision;

(8) the amount of housing tax credits allocated to the Development; and

(9) a dated record and summary of any contact between the Department staff, the Board, and the Applicant or any Related Parties.

(c) **IRS Filings.** The Department shall mail to the Internal Revenue Service, not later than the 28th day of the second calendar month after the close of each calendar year during which the Department makes Housing Credit Allocations, the original of each completed (as to Part I) IRS Form 8609, a copy of which was mailed or delivered by the Department to a Development Owner during such calendar year, along with a single completed IRS Form 8610, Annual Low Income Housing Credit Agencies Report. When a Carryover Allocation is made by the Department, a copy of the Carryover Allocation Agreement will be mailed or delivered to the Development Owner by the Department in the year in which the building(s) is placed in service, and thereafter the original will be mailed to the Internal Revenue Service in the time sequence in this subsection. The original of the Carryover Allocation Document will be filed by the Department with IRS Form 8610 for the year in which the allocation is made. The original of all executed Agreement and Election Statements shall be filed by the Department with the Department's IRS Form 8610 for the year a Housing Credit Allocation is made as provided in this section. The Department shall be authorized to vary from the requirements of this section to the extent required to adapt to changes in IRS requirements.

§~~50.~~49.20~~21~~. Program Fees, Refunds, Public Information Requests, Amendments of Fees and Notification of Fees, Extensions.

(a) **Timely Payment of Fees.** All fees must be paid as stated in this section. Any fees, as further described in this section, that are not timely paid will cause an Applicant to be ineligible to apply for tax credits and additional tax credits and ineligible to submit extension requests, ownership changes and Application amendments. Payments made by check, for which insufficient funds are available, may cause the Application, commitment or allocation to be terminated.

(b) **Pre-Application Fee.** Each Applicant that submits a Pre-Application shall submit to the Department, along with such Pre-Application, a non refundable Pre-Application fee, in the amount of $10~~5~~ per Unit. Units for the calculation of the Pre-Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Pre-Applications without the specified Pre-Application Fee in the form of a check will not be accepted. Pre-Applications in which a CHDO or Qualified Nonprofit Organization intends to serve as the managing General Partner of the Development Owner, or Control the managing General Partner of the Development Owner, will receive a discount of 10% off the calculated Pre-Application fee.

(c) **Application Fee.** Each Applicant that submits an Application shall submit to the Department, along with such Application, an Application fee. For Applicants having submitted a Pre-Application which met Pre-Application Threshold and for which a Pre-Application fee was paid, the Application fee will be $20~~15~~ per Unit. For Applicants not having submitted a Pre-Application, the Application fee will be $30~~20~~ per Unit. Units for the calculation of the Application Fee include all Units within the Development, including tax credit, market rate and owner-occupied Units. Applications without the specified Application Fee in the form of a check will not be accepted. Applications in which a CHDO or Qualified Nonprofit Organization intends to serve as the managing General Partner of the Development Owner, or Control the managing General Partner of the Development Owner, will receive a discount of 10% off the calculated Application fee. [2306.6716(d)]

(d) **Refunds of Pre-Application or Application Fees.** [2306.6716(c)] The Department shall refund the balance of any fees collected for a Pre-Application or Application that is withdrawn by the Applicant or that is not fully processed by the Department. The amount of refund on Applications not fully processed by the Department will be commensurate with the level of review completed. Intake and data entry will constitute 30% of the review, the site visit will constitute 45% of the review, and Threshold and Selection review will constitute 25% of the review. The Department must provide the refund to the Applicant not later than the 30th day after the date the last official action is taken with respect to the Application.

(e) **Third Party Underwriting Fee.** Applicants will be notified in writing prior to the evaluation of a Development by an independent external underwriter in accordance with §~~50.~~49.9(d)(6)~~(4)~~ of this title if such a review is required. The fee must be received by the Department prior to the engagement of the underwriter. The fees paid by the Development Owner to the Department for the external underwriting will be credited against the commitment fee established in subsection (f) of this section, in the event that a Commitment Notice or Determination Notice is issued by the Department to the Development Owner.

(f) **Commitment or Determination Notice Fee**. Each Development Owner that receives a Commitment Notice or Determination Notice shall submit to the Department, not later than the expiration date on the commitment notice, a non-refundable commitment fee equal to 5%~~4%~~ of the annual Housing Credit Allocation amount. The commitment fee shall be paid by check.

(g) **Compliance Monitoring Fee**. Upon receipt of the cost certification, the Department will invoice the Development Owner for compliance monitoring fees. The amount due will equal $40 per tax credit unit. The fee will be collected, retroactively if applicable, beginning with the first year of the credit period. The invoice must be paid prior to the issuance of from 8609. Subsequent anniversary dates on which the compliance monitoring fee payments are due shall be determined by the beginning month of the compliance period. ~~Upon the Development being placed in service, the Development Owner will pay a compliance monitoring fee in the form of a check equal to $25 per tax credit Unit per year or $100, whichever is greater. Payment of the first year's compliance monitoring fee must be received by the Department prior to the release of the IRS Form 8609 on the~~

~~Development. Subsequent anniversary dates on which compliance monitoring fee payments are due shall be determined by the date the Development was placed in service.~~

(h) **Building Inspection Fee**. The Building Inspection Fee must be paid at the time the Commitment Fee is paid. The Building Inspection Fee for all Developments is $750. Inspection fees in excess of $750 may be charged to the Development Owner not to exceed an additional $250 per Development. Developments receiving financing through TX-USDA-RHS that will not have construction inspections performed through the Department will be exempt from the payment of an inspection fee.

(i) **Tax Exempt Bond Credit Increase Request Fee.** As further described in Section 49.12(d) of this section, requests for increases to the credit amounts to be issued on IRS Forms 8609 for Tax Exempt Bond Developments must be submitted with a request fee equal to one percent of the first year's credit amount.

(~~i~~j) **Public Information Requests**. Public information requests are processed by the Department in accordance with the provisions of the Government Code, Chapter 552. The Texas Building and Procurement Commission (formerly General Services Commission) determines the cost of copying, and other costs of production.

(k~~j~~) **Periodic Adjustment of Fees by the Department and Notification of Fees**. [2306.6716(b)] All fees charged by the Department in the administration of the tax credit program will be revised by the Department from time to time as necessary to ensure that such fees compensate the Department for its administrative costs and expenses. The Department shall publish each year an updated schedule of Application fees that specifies the amount to be charged at each stage of the Application process. Unless otherwise determined by the Department, all revised fees shall apply to all Applications in process and all Developments in operation at the time of such revisions.

(l~~k~~) **Extension Requests**. All extension requests relating to the Commitment Notice, Carryover, ~~Closing of Construction Loan,~~ Substantial Construction Commencement, Placed in Service or Cost Certification requirements shall be submitted to the Department in writing and be accompanied by a non-refundable extension fee in the form of a check in the amount of $2,500. Such requests must be submitted to the Department no later than~~at least 20 days prior to~~ the date for which an extension is being requested and will not be accepted any later than this deadline date. The extension request shall specify a requested extension date and the reason why such an extension is required. Carryover extension requests shall not request an extended deadline later than December 1st of the year the Commitment Notice was issued. The Department, in its sole discretion, may consider and grant such extension requests for all items. If an extension is required at Cost Certification, the fee of $2,500 must be received by the Department to qualify for issuance of Forms 8609. ~~except for the Closing of Construction Loan and Substantial Construction Commencement. The Board may grant extensions, for the Closing of Construction Loan and Substantial Construction Commencement.~~ The Board may waive related fees for good cause.

§~~50.~~49.21~~22~~. Manner and Place of Filing All Required Documentation.

(a) All Applications, letters, documents, or other papers filed with the Department must~~will~~ be received only between the hours of 8:00 a.m. and 5:00 p.m. on any day which is not a Saturday, Sunday or a holiday established by law for state employees.

(b) All notices, information, correspondence and other communications under this title shall be deemed to be duly given if delivered or sent and effective in accordance with this subsection. Such correspondence must reference that the subject matter is pursuant to the Tax Credit Program and must be addressed to the Housing Tax Credit Program, Texas Department of Housing and Community Affairs, P.O. Box 13941, Austin, TX 78711-3941 or for hand delivery or courier to 507 Sabine, Suite 400, Austin, Texas 78701. Every such correspondence required or contemplated by this title to be given, delivered or sent by any party may be delivered in person or may be sent by courier, telecopy, express mail, telex, telegraph or postage prepaid certified or registered air mail (or its equivalent under the laws of the country where mailed), addressed to the party for whom it is intended, at the address specified in this subsection. Regardless of method of delivery, documents must be received by the Department no later than 5:00 p.m. for the given deadline date. Notice by courier, express mail, certified mail, or registered mail will be considered received on the date it is officially recorded as delivered by return receipt or equivalent. Notice by telex or telegraph will be deemed given at the time it is recorded by the carrier in the ordinary course of business as having been delivered, but in any event not later than one business day after dispatch. Notice not given in writing will be effective only if acknowledged in writing by a duly authorized officer of the Department.

(c) If required by the Department, Development Owners must comply with all requirements to use the Department's web site to provide necessary data to the Department.

§~~50.~~49.22~~23~~. Waiver and Amendment of Rules.

(a) The Board, in its discretion, may waive any one or more of these Rules if the Board finds that waiver is appropriate to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for other good cause, as determined by the Board.

(b) The Department may amend this chapter and the Rules contained herein at any time in accordance with the Government Code, Chapter 2001.~~, as may be amended from time to time.~~

§~~50.~~49.23~~24~~. Deadlines for Allocation of Housing Tax Credits. [2306.6724]

(a) Not later than September 30 of each year, the Department shall prepare and submit to the Board for adoption the draft QAP required by federal law for use by the Department in setting criteria and priorities for the allocation of tax credits under the Housing Tax Credit program. (b) The Board shall adopt and submit to the Governor the QAP not later than November 15 of each year.

(c) The Governor shall approve, reject, or modify and approve the QAP not later than December 1 of each year. [2306.67022][§42(m)(1)]

(d) The Board shall annually adopt a manual, corresponding to the QAP, to provide information on how to apply for housing tax credits.

(e) Applications for Housing Tax Credits to be issued a Commitment Notice during the Application Round in a calendar year must be submitted to the Department not later than March 1.

(f) The Board shall review the recommendations of Department staff regarding Applications and shall issue a list of approved Applications each year in accordance with the Qualified Allocation Plan not later than June 30.

(g) The Board shall approve final commitments for allocations of housing tax credits each year in accordance with the Qualified Allocation Plan not later than July 31, unless unforeseen circumstances prohibit action by that date. In any event, the Board shall approve final commitments for allocations of housing tax credits each year in accordance with the Qualified Allocation Plan not later than September 30. Department staff will subsequently issue Commitment Notices based on the Board's approval. Final commitments may be conditioned on various factors approved by the Board, including resolution of contested matters in litigation.

2005 QAP Working Group Recommendations for Revisions to the 2005 Qualified Allocation Plan and Rules

July 28, 2004

Multifamily Finance Production Division: 512.475.3340

INTRODUCTION

In January 2004, the Texas Department of Housing and Community Affairs ("the Department") initiated the creation of a work group that would generate recommendations for the 2005 Qualified Allocation Plan and Rules ("QAP") that govern the Housing Tax Credit Program. That group, the 2005 QAP Working Group ("the Working Group"), a group independent of the Department, collaborated for six months to provide staff with final recommendations of their preferred revisions to the QAP. The input of the 2005 QAP Working Group will be instrumental to Department staff in generating recommendations for QAP revisions to the Department's Board.

Structure, Composition and Membership

The Working Group was structured as an open group to which members could join voluntarily throughout the entire six month period that the group convened. The group began in February with roughly 80 registered members and by the final meeting in June 2004, there were approximately 130 registered members. The meetings were held one day a month, generally for a full working day. While the group was open and therefore membership could not be defined, the Department attempted to ensure that the composition of the group adequately represented the many facets of tax credit development and affordable housing. Members included lenders, syndicators, developers (rural, urban, for profit, nonprofit, etc.), advocates, legislative representatives, neighborhood representatives, local officials, etc. In spite of the large number of registered members, meetings generally averaged 50 attendees.

Topics and Committees

An initial list of topics was approved by the Working Group at their first meeting. The group then categorized those topics and issues into common themes and created committees to address each area. Ultimately nine committees were created. Committee membership was voluntary. A Facilitator for each committee was identified; that facilitator took responsibility for coordinating meetings, sharing committee information and making presentations to the larger group.

A list of each of the Committees including their facilitator, members and topics covered follows. Note that there may have been other individuals involved in these committees – due to the open nature of the Group and the Committees membership and participation was fluid.

I. Scoring Committee

Facilitator: Patrick Barbolla

Members: Cindy Evans, Bobby Bowling, Barry Palmer, Michael Hartman, Patrick Barbolla, Jot Couch, Barry Kahn, Granger MacDonald, Bob Voelker, Jeanne Langendorf, Jonas Schwartz, John Henneberger, Betsy Julian, Anne Lott, Rowan Smith, Dick Kilday, Scott McGuire

Issues for Discussion and Recommendation: Energy Saving Devices - Moving from Threshold to Selection; Site Amendments - Changing Site after Award with No/Limited Impact on Pre-Application Points; Amenities – Threshold and Selection / Unit and Common; Point Reductions – Removal of Partners Clarified, New Suggestions for Reductions; Scoring component for Affirmatively Furthering Fair Housing; Regionalized Scoring; Historically Under Businesses (HUB) Point Legality; More Categories of Scoring to Create Greater Differentiation Between Applications; General Scoring Issues; Revising Right of First Refusal Language; and Minimum Threshold Score.

II. Public Input & Local Involvement Committee

Facilitator: Dan Markson

Members: Cindy Evans, Jeanne Talerico, Diana McIver, John Garvin, Dan Markson, Sally Gaskin, Janna Cormier, Cheryl Potashnik, Dominick Dina, Cynthia Bast, Jim Shearer, Judith McGlaughlin, Jeremy Mazur, Liza Gonzalez, Gordon Cook, Nina Nixon Mendez, Drew Cameron, Scott McGuire, Sandra Williams

Issues for Discussion and Recommendation: One Mile Tests (1 Year and 3 Year) Implementation including Ties for Bonds vs. 9%; Quantifiable Community Participation Points / Guidelines; and Notifications / Statewide Database/Registry for Neighborhood Organizations (including January 15th date and adding clarity for bond deals).

III. Special Needs & Populations Committee

It should be noted that there was concern from the group that this committee be sure to consider financial feasibility issues as they discuss the special needs populations.

Facilitator: Walter Moreau

Members: Michael Hartman, Walter Moreau, Diana McIver, Mike Clark, Granger MacDonald, Jot Couch, David Long, Jeanne Langendorf, Jonas Schwartz, Jim Shearer, Frances Pelley, John Henneberger, Jim Washburn

Issues for Discussion and Recommendation: Transitional Housing; Rent-to-Own Programs/ Tenant Homeownership Programs; Military Housing and HTCs; Set-Aside and/or Scoring Incentive for Migrant Housing; Social Service Points – How to Fund, Compliance; and Elderly Set-Aside.

IV. Financial Feasibility Committee

Facilitator: Michael Hartman

Members: Tom Gouris, Bobby Bowling, Wendy Maceo, Michael Hartman, Patrick Barbolla, Dick Kilday, Dan Markson, Chris Richardson, Sally Gaskin, Diana McIver, Mike Sugrue, Janna Cormier, Cheryl Potashnik, Barry Kahn, George Littlejohn, Mark Mayfield, Dale Cook, John Pitts, Betsy Julian, John Henneberger, Bob Voelker, Katherine Closmann, Lee Stevens, Jim Washburn, Drew Cameron, Anne Lott, Barry Palmer, Paul Patierno

Issues for Discussion and Recommendation: Low Income Targeting – Splitting out Rents and Incomes as 2 Exhibits/ Point Adjustments/Including a More Detailed Interpretation; Defining Financial Feasibility; Bedroom Mix (under Ineligible Building Type); Development Cost Caps per Unit; Mixed Income Points; and Leveraging Funds in General and How is Leveraging Defined.

V. Definitions Committee

Facilitator: Sox Johnson

Members: Michael Hartman, Patrick Barbolla, Sox Johnson, Brooke Boston, Cynthia Bast, Donna Chatham, John Garvin

Issues for Discussion and Recommendation: Definition of Bedroom and Unit; Definition of Affiliate and Related Party; Defining "Consultant"; and Caps on Unit Size.

VI. Regional Allocation / Affordable Housing Needs Committee

Facilitator: Rowan Smith

Members: Sarah Anderson, Bobby Bowling, Cindy Evans, Sox Johnson, Jim Shaw, Bob Voelker, Donna Chatham, Frances Pelley, Betsy Julian, Mark Mayfield, Jim Shearer, Gus

Garcia, Liza Gonzalez, Ike Akbari, Rowan Smith, Dick Kilday, Gordon Cook
Issues for Discussion and Recommendation: Affordable Housing Needs Score; Regional Allocation Formula – Rural/Exurban/Urban; Achieving Exurban Allocations; and Addressing how to determine which Regions will go Under or Over the Targeted Allocation Amount.

VII. Rural and Rehabilitation Committee

Facilitator: Dennis Hoover
Members: Gus Garcia, Barry Palmer, Barry Halla, Jim Shaw, Donna Chatham, Sox Johnson, Dennis Hoover, Granger MacDonald, Mark Mayfield, Anne Lott, Frances Pelley, Jim Washburn, Wendy Maceo, Ike Akbari
Issues for Discussion and Recommendation: Preservation and Rehabilitation Issues; and Leveraging with the 514 and 538 programs.

VIII. Threshold Criteria and Streamlining Committee

Facilitator: John Pitts
Members: Patrick Barbolla, John Pitts, George Littlejohn, Rowan Smith
Issues for Discussion and Recommendation: Applicant/Developer Experience – Altering the minimum requirement, Who qualifies and Looking at whole team; Eliminating Some Threshold Requirements and/or Moving Some Threshold Requirements to Carryover; Eliminating Documentation and Submission Requirements for Construction Loan Closing and Commencement; and Improving timing and process for staff responses / administration.

IX. Compliance and Utility Allowance Committee

Facilitator: Mike Clark
Members: Sara Newsom, Mike Clark, Jot Couch, Barry Kahn, Rowan Smith, Bert Magill, Ike Akbari, John Henneberger, Jim Beats
Issues for Discussion and Recommendation: Appeals on Compliance Scoring System and/or Material Noncompliance Determinations; Revisions to the Compliance Scoring System; and Discussion on Utility Allowances.

Process for Recommendations

The Working Group decided in its first meeting that the process to be used in generating recommendations, and ultimately a final report, would proceed as described in this section. First, each committee held ongoing meetings (via conference calls, meetings and email communication) to discuss their topics. Then, at each meeting of the larger Working Group, committee facilitators presented their committee's progress to date. Committees ultimately generated reports (generally reflecting a majority and minority position) from the committee to the Working Group that were presented at the May and June Working Group meetings. The Working Group then took action, by vote, on whether to approve, deny, or approve with amendments the recommendations of each committee. Topics were taken one at a time to ensure that each issue was discussed on its own merits. However, the Committees and the Working Group as a whole may not have made recommendations or comments on all issues originally identified for each committee.

RECOMMENDATIONS

The following recommendations reflect the final decisions made by the Working Group. Recommendations are organized by Committee, however it should be noted that the recommendations reflect not only the input of the committee, but the decision of the Working Group as a whole.

Since the Working Group's recommendations were made by vote, and not consensus, it should be noted that the recommendations do not necessarily reflect the preferences of all Working Group members. When possible, a minority opinion is provided. Even in instances of a minority report, it is possible that not all views of all members are reflected in these recommendations. Also be aware that due to the extensive and comprehensive discussions that took place, this report only reflects the results of the Working Group and does not reflect the dialogue and discussion behind each issue. After each committee title, the recommended changes are numerically listed and further referenced by the QAP reference (as based on the existing 2004 QAP). The order the items are provided tracks with the existing 2004 QAP. If specific language was approved, the draft of that language is also provided shown either as new language or reflecting "blacklined" revisions to the 2004 QAP. In instances where more than one committee made recommendations on a particular section of the QAP, the revisions are shown separately in each of the Committee's summaries; the revisions are not reflected cumulatively in the recommendations of either Committee.

The Working Group, through its other revisions, recommended that all dates reflecting the calendar year 2004 be updated to reflect calendar year 2005.

Department Disclaimer: These recommendations do **not** reflect the recommendations of Department staff nor do they represent the recommendations that staff will make to the Board. Staff will make its recommendations to the Board based on the input of the Working Group, other input received and based on its evaluation of necessary policy and administrative changes and improvements.

COMMITTEE I -SCORING COMMITTEE

Facilitator: Patrick Barbolla

On June 14, 2004, The 2005 Working Group ("WG") considered possible revisions to the scoring components of the Qualified Allocation Plan. In advance of the meeting, all members of the Working Group were provided with a document entitled "2005 Working Group Selection Scoring" that contained various proposals for scoring of tax credit applications. It was determined that the category or concept would be voted upon initially with the allocation of points to specific items deferred until the end of the meeting. It was further noted that while the group would review the document "2005 Working Group Selection Scoring", any member of the working group could suggest additional items for consideration or amendments. In effect, the meeting would be open to consider any and all ideas proposed by any person in attendance.

1. **§50.9(g)(1) – Financial Feasibility.** The WG voted unanimously to retain the existing section 50.9(g)(1) on Development Financial Feasibility. No minority opinion provided. No language revisions suggested.

2. **§50.9(g)(2) - Quantifiable Community Support**. [All suggested changes to this item are addressed by Committee II. Please refer to the summary for Committee II which are inclusive of all actions taken on this item.]

3. **§50.9(g)(3) – Development Location Characteristics**. The Group voted to retain the existing development location characteristics section with the one exception which was to amend subparagraph (D) as noted below. The Group also voted on deleting the "Exurban" Points at subparagraph (G) but this resulted in a tie vote, thus the motion failed. Note, however, the subsequent vote related to Exurban Points under number 5 of this Committee's summary. No minority opinion provided. Language recommended:

   "(D) the Development is located in a census tract ~~in which has~~with a median family income (MFI), as published by the United States Bureau of the Census (U.S. Census) equal to or exceeding 80% of the MFI for the county in which the Development is located.~~, that is higher than the MFI for the county in which the census tract is located, as established by HUD.~~ This comparison shall be made using the most recent data available from both sources as of as of October 1 of the year preceding the applicable program year. In those years when the U.S. Census does not publish median family income information at the census tract level, the most recent U.S. Census MFI available for the tract shall be multiplied by the change between HUD's published data for the county MFI as of the year in which the Census MFI was published and the county MFI as of October 1 of the year preceding the applicable program year. Developments eligible for these points must submit evidence documenting the median income for both the census tract and the county."

4. **§50.9(g)(4) – Site Location Characteristics**. The group voted to retain the existing language with the exception of removing the negative points associated with a development adjacent to or within 300 feet of an Interstate Highway. No minority opinion provided. Language recommended:

   "~~(iii) Developments located adjacent to or within 300 feet of an Interstate Highway including frontage and service roads will have 1 point deducted from their score.~~"

5. **§50.9(g)(5) – Housing Needs Characteristics**. The Group voted to remove the Affordable Housing Needs Score (AHN) from the QAP. In the event that the Board retain the AHN scoring points, the Group recommends deleting the "Exurban" points currently found §50.9(g)(3)(G). The group would like to be sure that only one of those two items – either the AHN Score or the Exurban Points – remain in the 2005 QAP. No minority opinion provided. Language recommended:

   "~~(5) Housing Needs Characteristics. Each Application, dependent on the city or county where the Development is located, will yield a score based on the Uniform Housing Needs Scoring Component. If a Development is in an incorporated city, the city score will be used. If a Development is outside the boundaries of an incorporated city, then the county score will be used. The Uniform Housing Needs Scoring Component scores for each city and county will be published in the Reference Manual. (7 points maximum).~~"

6. **§50.9(g)(6) – Support and Consistency with Local Planning**. The Group acknowledged that there is a problem with awarding points for letters from State Representatives and Senators. As a matter of practice, many members of the legislature will not issue letters of support. Based on the language in the legislation, a development located in a district where the member will not issue any letters of support places such development at a competitive disadvantage if the same service region has members that routinely issue letters of support. The Group acknowledged that the solution to this issue is a legislative amendment that protects the rights of the legislature to have a meaningful input while not penalizing developments that are unable to obtain letters of support. The Group voted to change subparagraph (A) relating to consistency with the consolidated plan to add points for support from local officials. Additionally, the group recommends deletion of the reference to the Attorney General Opinion in subparagraph (C) and to the local points under (C)(ii). No minority opinion provided. Language recommended:

   "(A) Evidence from either a city manager, city council member for the location of the development, mayor, or county commissioner or county judge in support of the development shall qualify for 3 points. ~~Evidence from the local municipal authority stating that the Development fulfills a need for additional affordable rental housing as evidenced in a local consolidated plan, comprehensive plan, or other local planning document; or a letter from the local municipal authority stating that there is no local plan and that the city supports the Development (3 points).~~"

   Excerpted from (C): "~~The Governing Board has directed the Department to request an opinion from the Attorney General on whether recent legislation permits scoring for input from officials other than state officials. If the Attorney General renders an opinion that only input from state officials may be scored, then city and county input will not be scored~~."

   Excerpted from (C)(ii): "~~(ii) from the Mayor, City Council member for the area, County Judge, County Commissioner for the area, or a resolution from the City Council or County Commission (support letters or resolutions are 3 points each, maximum of 3 points; opposition letters or resolutions are -3 points each, maximum of -3 points).~~"

7. **§50.9(g)(7)(B) – Development Characteristics, Cost per Square Foot**. The Group voted to retain the existing language at section 50.9(g)(7)(B) regarding costs per square foot, but with the exception that the $73 per square foot cost limitation for projects that are only partially transitional housing for the homeless will only apply to the transitional units. No minority opinion provided. Language recommended:

   "(B) Cost per Square Foot. For this exhibit, costs shall be defined as construction costs, including site work, contingency, contractor profit, overhead and general requirements, as represented in the Development Cost Schedule. This calculation does not include indirect construction costs. The calculation will be costs per square foot of net rentable area (NRA). The calculations will be based on the cost listed in the Development Cost Schedule and NRA shown in the Rent Schedule of the Application. Developments do not exceed $73 per square foot for Qualified Elderly and Transitional Developments, and $62 for all other Developments. For Transitional Developments, on the Transitional Units in the Development are eligible for the higher cost per square foot (9 points)."

8. **§50.9(g)(7)(C) – Development Characteristics, Unit Amenities**. The Group made a revision to the Unit Amenities regarding the SEER for the air conditioning as noted in the language below. No minority opinion provided. Language recommended:

   "(xvii) 14~~12~~ SEER HVAC or evaporative coolers in dry climates (3 points);"

9. **§50.9(g)(7)(D) – Development Characteristics, Common Amenities**. The Group made several revisions to the Common Amenities as noted in the language below. No minority opinion provided. Language recommended:

   "(I) Full perimeter fencing with controlled gate access (3 points)
   (#) Full perimeter fencing without controlled gate access (2 points)
   (II) Gazebo w/sitting area (1 point)
   (III) Accessible walking path (1 point)
   (IV) Community gardens (1 point)
   (V) Community laundry room and/or laundry hook-ups in Units (no hook-up fees of any kind may be charged to a tenant for use of the hook-ups (1 point);
   (VI) Public telephone(s) available to tenants 24 hours a day (2 points);
   ~~(VII) A service coordinator office (1 point);~~
   (VIII) Barbecue grills and picnic tables – at least one for every 50 Units (1 point)
   (IX) Covered pavilion w/barbecue grills and tables (2 points)
   (X) Swimming pool (3 points)
   (XI) Furnished fitness center (2 points)
   (XII) Equipped Business Center (computer and fax machine) or Equipped Computer Learning Center (2 points)
   (XIII) ~~Game/TV/~~Furnished Community room (1 point)
   (XIV) Library (separate from the community room) (1 point)
   (XV) Enclosed sun porch or covered community porch/patio (2 points)
   (XVI) Service coordinator office in addition to leasing offices (1 point)
   (XVII) Senior Activity Room (Arts and Crafts~~, Health Screening,~~ etc.) – Only Qualified Elderly Developments Eligible (2 points)
   (#) Health Screening Room – Only Qualified Elderly Developments Eligible (1 point);

(XVIII) Secured Entry (elevator buildings only) - (1 point)
(XIX) Horseshoe, Putting Green or Shuffleboard Court – Only Qualified Elderly Developments Eligible (1 point)
(XX) Community Dining Room w/full or warming kitchen - Only Qualified Elderly Developments Eligible (3 points)
(XXI) Two Children's Playgrounds Equipped for 5 to 12 year olds, two Tot Lots, or one of each - Only Family Developments Eligible (2 points), or one point for one playground or one tot lot.
(XXII) Sport Court (Tennis, Basketball or Volleyball) - Only Family Developments Eligible (2 points)
(XXIII) Furnished and staffed Children's Activity Center - Only Family Developments Eligible (3 points)"

10. **§50.9(g)(7)(F) – Development Characteristics, Mixed Income Developments**. The Group recommends reducing the point range structure for mixed income developments. No minority opinion provided. Language recommended:

"(F) The Development is a mixed-income Development comprised of both market rate Units and qualified tax credit Units. Points will be awarded to Developments with a Unit based Applicable Fraction which is no greater than: [2306.6710(b)(1)(C); 2306.111(g)(3)(E)]
(i) 80% (~~7~~4 points); or,
(ii) 85% (~~6~~3 points); or,
(iii) 90% (~~4~~2 points); or
(iv) 95% (~~2~~1 points)."

11. **§50.9(g)(8) – Sponsor Characteristics, HUB Points**. The points for material participation and ownership by a certified Historically Underutilized Business were recommended for deletion due to the perceived abuses in the award of points for this item. A subsequent motion was made to retain the points for HUB ownership and participation but with the recommendation that abuses to current system be remedied. The motion failed. No minority opinion provided. Language recommended:

"~~(8) Sponsor Characteristics. Evidence that a HUB, as certified by the Texas Building and Procurement Commission, has an ownership interest in and materially participates in the development and operation of the Development throughout the Compliance Period. To qualify for these points, the Applicant must submit a certification from the Texas Building and Procurement Commission that the Person is a HUB at the close of the Application Acceptance Period. Evidence will need to be supplemented, either at the time the Application is submitted or at the time a HUB certification renewal is received by the Applicant, confirming that the certification is valid through July 31, 2004 and renewable after that date. (3 points)~~"

12. **§50.9(g)(9) – Developments Targeting Families with Children**. The Group recommends revising this item to allow two-bedroom units to qualify as meeting this requirement but at a greater percentage. No minority opinion provided. Language recommended:

"(9) Developments Targeting Tenant Populations of Individuals with Children. The Rent Schedule of the Application must show that 40%~~30%~~ or more of the Units in the Development have two or more bedrooms~~more than 2 bedrooms~~ (1 point)."

13. **§50.9(g)(10) – Supportive Services**. The Group voted to retain the language as exists regarding supportive services. No minority opinion provided. No language revisions suggested.

14. **§50.9(g)(11) – Tenant Characteristics**. The Group took two actions regarding this section. By vote, the group approved a revision that only developments dedicating 100% of their units for transitional housing for the homeless would qualify for points under this section. Additionally, the Group approved a proposal to reduce the points allowed for this section from 22 to 4. No minority opinion provided. Language recommended:

"(F)~~ Points will be awarded as follows:~~

~~(i) I~~if all Units in the Development are designed solely for transitional housing for homeless persons, 4 points~~7 points~~ will be awarded~~; or~~

~~(ii) If at least 25% of the Units in the Development are designed for transitional housing for homeless persons, 5 points will be awarded.~~"

15. **§50.9(g)(12) and (13) – Income Levels of the Tenants.** The Group voted to replace both of the current paragraphs (12) and (13) with the language proposed below to simplify the procedure. As noted later in this report, reference to 30% of AMGI is based on the higher of local area median income or statewide median income. The Group also specifically voted to remove any requirement that additional subsidy or funding sources be provided for units earmarked for households at the 30% level. No minority opinion provided. Language recommended:

New Proposed Language: "(a) 12 points if 80% of the development is set-aside for 50% rent/incomes, or (b) 12 points if 10% of the development is set-aside at 30% rent/incomes, or (c) 8 points if 40% of the development is set-aside for 50% and/or 30% rent/incomes."

16. **§50.9(g)(14) – Leveraging.** The Group voted to delete the second and third sentences of subparagraph A which provided a list of acceptable types of leveraging sources. The Group also voted to allow points under this section even if the development is awarded points for low income targeting. The advisability of allowing points under both category A and B as well as striking the clause "non-governmental" from the voucher language were discussed, but no votes were taken. It was also noted that the existing language contains contradictory language regarding use of TDHCA HOME funds.

"(14) Leveraging from local and private resources. An Application may qualify for points under only one of subparagraphs (A) or (B) of this paragraph. ~~However, if an Applicant has requested points under paragraph (13) of this section, the Application is not eligible to receive points under this paragraph.~~ (maximum of 14 points) [2306.6710(b)(1)(E)]

(A) Evidence that the proposed Development has received an allocation of funds for on-site development costs from a local unit of government or a nonprofit organization, which is not related to the Applicant. ~~Such funds can include Community Development Block Grant funds, HOPE VI, local HOME (not funded from the~~

~~Department), a local housing trust, Affordable Housing Program from the Federal Home Loan Bank or Tax Increment Financing, HUD Section 202 , HUD Section 811 and HUD Section 8 and must be in the form of a grant or a forgivable loan. In-kind contributions such as donation of land or waivers of fees such as building permits, water and sewer tap fees, or similar contributions that benefit the Development will be acceptable to qualify for these points.~~ Points will be determined on a sliding scale based on the amount per Unit from outside sources. The Development must have already applied for funding from the funding entity. Evidence to be submitted with the Application must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from the Department's HOME or Housing Trust Fund sources will qualify under this category. Use normal rounding. No funds from TDHCA's HOME (with the exception of non-Participating Jurisdictions) or Housing Trust Fund sources will qualify under this category. (up to 14 points).

(i) A contribution of $500 to $1,000 per Low Income Unit receives 4 points; or

(ii) A contribution of $1,001 to $3,500 per Low Income Unit receives 8 points; or

(iii) A contribution of $3,501 to $6,000 per Low Income Unit receives 14 points; or

(B) Evidence that the proposed Development is partially funded by development-based Housing Choice or rental assistance vouchers from a governmental or non-governmental entity for a minimum of five years. Such entity cannot have an identity of interest with the Applicant with the exception of Applications involving Public Housing Authorities. Evidence at the time the Application is submitted must include a copy of the commitment of funds or a copy of the application to the funding entity and a letter from the funding entity indicating that the application was received. No later than 14 days before the date of the Board meeting at which staff will make their initial recommendations for credit allocation to the Board, the Applicant or Development Owner must either provide evidence of a commitment for the required financing to the Department or notify the Department that no commitment was received. If the required financing commitment has not been received by that date, the Application will have the points for this item deducted from its final score and will be reevaluated for financial feasibility. No funds from the Department's HOME or Housing Trust Fund sources will qualify under this category. Use normal rounding. (up to 14 points).

(i) Development-Based Vouchers for 3% to 5% of the total Units receives 4 points; or

(ii) Development-Based Vouchers for 6% to 8% of the total Units receives 8 points; or

(iii) Development-Based Vouchers for 9% to 10% of the total Units receives 14 points."

17. **§50.9(g) – Points for Tax Credits Per Bedroom or Per Unit.** Two proposals were originally submitted for consideration that would create a scoring component for the

efficient use of tax credits. Under both proposals points would be allowed for lower tax credits requested. The Group voted to retain the existing position which does not allow points for the efficient use of tax credits. No minority opinion provided. No language revisions suggested.

18. **§50.9(g) – Points for Affirmatively Furthering Fair Housing.** The topic of scoring for furthering fair housing has received significant debate and discussion. While this report does not go into extensive detail, a more detailed discussion can be obtained by reviewing the materials presented at the May Working Group meeting as well as pages 26 - 28 of the "Working Group Selection Scoring Issues" document presented at the June meeting. Both of these documents are available on the Department's website. Ultimately, several motions were made on this issue. The proposed language, that was not approved, is provided so that it fully reflects the minority opinion.

The WG voted not to adopt the following proposal: "(A) Applicants will receive points by demonstrating that the proposed development will affirmatively further the goals of the Fair Housing Act. This can be accomplished by demonstrating: That the proposed location of the development will expand affordable housing choice outside areas of minority concentration for low income families with children and people with disabilities. A site will qualify for points under this provision if it is located in a census tract in which the percentage of persons of a particular racial or ethnic minority is no more than 10% and the total minority population is no more than 20%. TDHCA will identify those areas for which points can be awarded under this factor."

The WG voted not to adopt the following proposal: "Allow points for location of developments in either: (1) areas where the percentage of minorities is 20% less than city's minority population, or (2) areas where the percentage of minorities is 20% greater than the city's minority population, if and only if, the development could prove revitalization and there were affordable housing opportunities in non-racially impacted areas."

The WG voted not to adopt the following proposal: "AFFIRMATIVELY FURTHERING FAIR HOUSING. Applicants will receive points by demonstrating the extent to which the proposed development will affirmatively further the goals of the Fair Housing Act. This can be accomplished by demonstrating with objective data and analysis the following:

(i) The extent to which the proposed development will address the impediments to fair housing with respect to affordable housing which were identified in the State's most recent Analysis of Impediments to Fair Housing Choice [5 points].

(ii) The extent to which the proposed location of the development will expand affordable housing choice outside predominately low income, minority areas. [5 points]."

The WG voted not to adopt the following proposal: "Furthering Affirmative Fair Housing. The development shall be eligible for up to 4 points by establishing that its development will further the goal of Affirmative Fair Housing. The Department shall evaluate the Applicant's explanation of how the project's development will further the goal of Fair Housing and award points as appropriate."

As a last vote, the Group failed to endorse a proposal that the Department create a scoring item for affirmatively furthering fair housing that addressed concerns of the group members that certain areas of the state (El Paso among others) with high minority populations would be penalized by awarding points for the development location in non-minority areas. No language revisions suggested.

19. **§50.9(g) – Cumulative Ranking of Scores.** By vote the Group voted not to implement an adjustment to the scoring that would rank the point total in conformity with the nine priorities specified in Senate Bill 264. The language that was rejected was as follows:

"In adopting the 2005 Qualified Allocation Plan, the scoring components of the Plan rank in descending order of points allowed as the nine highest scoring categories of point totals the categories noted below with no other category or item having a greater point total than the lowest ranking point total of the ninth category in this list:

1. Development Financial Feasibility;
2. Quantifiable Community Participation from Neighborhood Organizations;
3. Income level of tenants;
4. The size and quality of the units;
5. The commitment of development funding by local political subdivisions;
6. The level of community support based on written statements from state elected officials;
7. The rent level of the unit;
8. The cost of the development by square foot, and
9. The services to be provided to the tenants of the development.

After the vote deciding not to rank as noted above, the Group's consensus was that the point totals should remain as reflected in the 2004 QAP unless specifically modified by the Group in language drafted throughout this Committee summary.

Subsequent to the final meeting, John Garvin, Executive Director of the Texas Affiliation of Affordable Housing Providers, forwarded Department staff an email requesting that the votes from five individuals who were in attendance at the time of that vote and originally voted against the ranking concept be changed to show their support. While a "per person" vote was not taken and therefore the impact of these vote changes can not be categorically determined, it is likely that these vote changes would have caused the ranking proposal to be accepted as the majority and would have been the formal recommendation of the Working Group.

20. **§50.18(c)(8) – Amendments Relating to Low Income Units.** The Group approved a procedure, and penalties, for developers who propose to target low income units and then seek to be released from the commitment to serve the lowest income households. The Group worded this proposal to only penalize the appropriate parties and specifically excludes the syndicator. No minority opinion provided. Language recommended:

Creation of New paragraph (8): "In the event that the developer seeks to be released for the commitment to serve the income level of tenants targeted in the original application, the following procedure would apply. For amendments that involve a reduction in the total number of low income units being served, or a reduction in the number of low income units at each level of AMGI represented at the time of application, evidence must be presented to the Department that includes written confirmation from the lender and syndicator that the development is infeasible without the adjustment in units. The Board may or may not approve the amendment request, however, any approval by the Board is contingent upon concurrence from the Real Estate Analysis Division that the unit adjustment (or an alternative unit adjustment) is necessary for the continued feasibility of the development. Additionally, if it is determined by the Department that the allocation of credits would not have been made in the year of allocation because the loss of low income targeting points would have precluded the application from being competitive enough to warrant an allocation, and the amendment is approved by the Board, the approved amendment will carry a penalty that prohibits the applicant and all persons or entities with any ownership interest in the application (excluding any tax credit purchaser/syndicator), from participation in the HTC program (4% or 9%) for 24 months from the time that the amendment is approved."

II. COMMITTEE II – PUBLIC INPUT / LOCAL INVOLVEMENT

Facilitator: Dan Markson

1. **§50.9(8) – Overall Level of Notification**. While the Working Group did not pass specific language revisions for this item, they did approve, by vote, that applicants should only be required to notify in one of the following three methods: signage, newspaper or mailing notification to nearby residents). Each of these three methods is already described in detail in the QAP – the only revision is that whereas applicants must currently do the newspaper and then additionally either the signage or mailing alternative, they would now be able to pick only one of the three.

2. **§50.9(f)(8)(B) – Notification.** Clarifies the level of evidence for notifications and that the evidence should be that it was mailed, not necessarily received. The Group also recommends deleting the language that limits the notification to only Pre-Application for those that have done Pre-Application notifications; essentially this expands notification to Application for all applicants even if they already notified at Pre-Application. The level of detail of the information provided in the notifications is also recommended to be reduced. These changes were approved within two different discussions, but are provided here together. Because these were approved in two different discussions, there is one item that is contradictory: one recommendation that was approved was to delete item (VIII), but then a subsequent approved recommendation was to revise the language at item (VIII). The proposal below denotes the deletion, however, should the deletion not be accepted by the Department, the Working Group recommends that it be revised as noted in the Alternate Language below. No minority opinion provided. Language recommended:

"(B) Evidence of notification meeting the requirements identified in clause (i) of this subparagraph to all of the individuals and entities identified in clause (ii) of this subparagraph. Evidence of such notifications shall include a copy of the exact letter and other materials that were sent to the individual or entity and proof of mailing. ~~delivery in the form of a signed certified mail receipt, signed overnight mail receiptor confirmation letter from said official.~~ Proof of notification must not be older than three months from the first day of the Application Acceptance Period.[2306.6704] ~~If evidence of these notifications was submitted with the Pre-Application Threshold for the same Application and satisfied the Department's review of Pre-Application Threshold, then no additional notification is required at Application.~~

(i) Each such notice must include, at a minimum, all of the following:

(I) The Applicant's name, address, individual contact name and phone number;

(II) The Development name, address, city and county;

(III) A statement informing the entity or individual being notified that the Applicant is submitting a request for Housing Tax Credits with the Texas Department of Housing and Community Affairs;

(IV) Statement of whether the Development proposes new construction or rehabilitation;

(V) The type of Development being proposed (single family homes, duplex, apartments, townhomes, highrise etc.);

(VI) The approximate~~total~~ number of Units and ~~total number of~~ low income Units;

~~(VII) The percentage of Units serving each level of AMGI (e.g. 20% at 50% of AMGI, etc.) and the percentage of Units that are market rate;~~

~~(VIII) The number of Units and proposed rents (less utility allowances) for the low income Units and the number of Units and proposed rents for any market rate Units; and~~

(IX) The expected completion date if credits are awarded.

(ii) Notification must be sent to all of the following individuals and entities. Officials to be notified are those officials in office at the time the Application is submitted."

Alternate Language for §50.9(f)(8)(B)(i)(VIII) if Deletion not Accepted: "(VIII) The number of Units and proposed rents (less utility allowances) for the low income Units and the number of Units that are effective at the time of the Pre-Application which are subject to change as annual changes in the area median income occur and the proposed rents for any market rate Units; and"

3. **§50.9(f)(8)(B)(ii)(I) – Clerk and Neighborhood Notifications.** Recommends that the first level of notification be made to local officials and local planning departments in lieu of city and county clerks; that the notification be permitted to be made later than last year's QAP permitted; and that the zip code notification language be deleted. Clarification was added that the statement of "knowing no neighborhood organizations" should be part of the application. No minority opinion provided. Language recommended:

"(I) Local Elected Official ~~City and County Clerks~~ and a municipality with a planning or other comparable department and Neighborhood Organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site. Evidence must be provided that a letter requesting information on neighborhood organizations and meeting the requirements of "Local Elected Official ~~Clerk~~ and a municipality with a planning or other comparable department Notification" as outlined in the Application was sent no later than February 10, 2005~~January 15, 2004~~ to the local elected official and in a municipality with a planning or other comparable department to the official in that department responsible for mapping and neighborhood organization planning ~~city clerk and county clerk~~ for the city and county where the Development is proposed to be located. If the Development is located in a jurisdiction that has district based local elected officials, the notification must be made to the city council member or county commissioner representing that district; if the development is located in a jurisdiction that has at-large local elected officials, the notification must be made to the mayor or county judge for the jurisdiction. A copy of the reply letter or other official third-party documentation from the local elected official and municipality with a planning department ~~city and county clerks~~ must be provided. For urban/exurban areas, all entities identified in the letters from the local elected official and in a municipality with a local planning department from the appropriate official whose boundaries include the proposed development ~~city and county clerks whose listed address has the same zip code as the zip code for the Development~~ must be provided with written notification, and evidence of that notification must be provided. ~~If any other zip codes exist within a half mile of the Development site, then all entities identified in the letters from the city and county clerks with those adjacent zip codes must also be provided with written notification, and evidence of that notification must be provided. For rural areas, all entities identified in the letters from the city and county clerks whose listed address is within a half mile of the Development site must be provided~~

~~with written notification, and evidence of that notification must be provided.~~ If the Applicant can provide evidence that the proposed Development is not located within the boundaries of an entity on a list from the clerk(s), then such evidence in lieu of notification may be acceptable. If no reply letter is received from the city or county clerk by February 25, 2004, then the Applicant must submit a statement attesting to that fact. If an Applicant has knowledge of any neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site, the Applicant must notify those organizations. If the Applicant has no knowledge of neighborhood organizations within whose boundaries the Development is proposed to be located, the Applicant must attest to that fact in the format provided by Department as part of the application."

4. **§50.9(g)(2) and (2)(A) & (B) – Quantifiable Community Participation (QCP).** The Group expanded how the term "on record" is defined for purposes of meeting the requirement for this exhibit and deleted the requirement that the QCP letter must be addressed to the Director of Multifamily. No minority opinion was provided on these items. The Group also adds the requirement that 51% of the neighborhood organization's members must live within a mile of the development site. No minority opinion was provided for this either, although approval was by a narrow margin. Subsequently at a later meeting, comment was again made that the requirement was going to be administratively difficult for the development community and the Department. While no later vote was taken to remove this language, the group requested that the report reflect that there are positive and negative repercussions to this language. It should also be noted that at the May Meeting the group approved adding language that expanded the QCP points to community and civic organizations, however at the June Meeting the group voted to remove those additions. Language recommended:

"(2) Quantifiable Community Participation from Neighborhood Organizations. Points will be awarded based on written statements of support or opposition from neighborhood organizations on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development site. As an option to be considered on record with the state, a letter to include contact name with a mailing address and telephone number, a copy of the signed by-laws or 501(c) documentation, name and position of officers, and a written description or map of the Neighborhood Organization's geographical boundaries must be send to the Department to place the Neighborhood Organization on record.

(A) Receipt of Input. Letters must be received by the Department no later than April 30, 20054, and only, for scoring purposes, directly from neighborhood organizations or with the Application. Letters must be addressed to the Texas Department of Housing and Community Affairs.~~, "Attention: Director of Multifamily Finance Production Division (Neighborhood Input)".~~ Letters received after April 30, 20054 will be summarized and provided for the Board's information and consideration, but will not affect the score for the Application. Separate from scoring, the Department urges all persons and organizations that wish to provide input to the Department to do so well before (and, preferably earlier than ten days before) the day of a Board meeting when a final decision must be made so the input may be carefully considered. Board decisions often cannot be delayed and late input is difficult for the Board and Department to fully consider.

(B) Neighborhood Organizations. For the purposes of the scoring of this exhibit, neighborhood organizations are organizations that are on record with the county or state in which the development is proposed to be located as of March 1 of the application year and that have a primary purpose of working to affect matters related to the welfare of the neighborhood and 51% of the Neighborhood Organization's members must live in the neighborhood within one mile surrounding and containing~~that contains~~ the proposed development site, not including governmental entities."

5. **§50.9(g)(2)(C) – Quantifiable Community Participation Scoring.** The Group clarifies that the signatory's mailing address must be provided. The Group discussed whether a neighborhood organization needed to have reasons and/or a description of their process in order to earn the points for this item. The majority of the group voted to leave the language as is regarding the process and reasons, however the minority view was that the organization did not need to provide reasons or process because that is not required by the legislation. The Group additionally approved language that the organization must provide the Department with minutes of the meeting where their decision was made as well as a tape of the meeting; it was agreed that the Department would not be obligated to listen to the tape, but would have it for backup if needed. In this section at the May meeting, the Group originally approved language that adjusts the scoring range for the points for QCP specifically creating two ranges of points – neighborhood organizations achieving higher scores and community or civic organizations achieving lower scores. By removing the community and civic organizations from this item, the scoring dichotomy was no longer applicable. Language recommended:

"(C) Scoring of Input. For scoring purposes, each neighborhood organization may submit one letter that represents the organization's input. The letter must identify the specific Development and be signed by the chairman of the board, chief executive office or comparable head of the organization and include the signer's mailing address and phone number. The letter must state and provide documentation which shows that it is from a neighborhood organization; that it is on record with the state or county in which the Development is proposed to be located; and that the organization's boundaries contain the proposed Development site. The letter must also provide the total number of members of the organization and a brief description of the process used to determine the members' position. Minutes of the meeting, as well as a taped record of the meeting, at which support, opposition or neutrality was determined must be included in this documentation. To be accurately scored, the letter must clearly and concisely state each reason for the organization's support for or opposition to the proposed Development and provide specific evidence supporting that input. It is possible for points to be awarded or deducted based on written statements from organizations that were not identified by the city and county clerks under subsection (f)(8)(B)(ii)(I) of this section, if the organization provides evidence that the proposed Development site is within the organization's boundaries and that it is on record with the county or state. It is also possible that neighborhood organizations that were initially identified as appropriate organizations for purposes of the notification requirements will subsequently be determined by the Department not to meet the requirements for scoring.

(i) Applicants that accurately certify that they do not know of any neighborhood organizations that are on record with the state or county in which the Development is to be located and whose boundaries contain the proposed Development, and/or for which no letters eligible for scoring were received, will be awarded the maximum number of points allowed by this exhibit. t~~higher of zero points or the average number of points received by all Applications for this exhibit.~~

6. **§50.9(g)(2)(D) – Quantifiable Community Participation Evaluation.** The group agreed that the language in paragraph (D) regarding false statements be deleted from this section of the QAP and moved to another more general area. No minority opinion provided. Language recommended:

   Deletion: "~~To protect the integrity of the Department's processes and decisions, evidence of false statements or misrepresentations from applicant representatives, neighborhood representatives, or other persons will be considered for appropriate action, including possible referral to local district and county attorneys.~~"

   Insert at §50.9(c): "(c) **Adherence to Obligations.** All representations, undertakings and commitments made by an Applicant in the application process for a Development, whether with respect to Threshold Criteria, Selection Criteria or otherwise, shall be deemed to be a condition to any Commitment Notice, Determination Notice, or Carryover Allocation for such Development, the violation of which shall be cause for cancellation of such Commitment Notice, Determination Notice, or Carryover Allocation by the Department, and if concerning the ongoing features or operation of the Development, shall be enforceable even if not reflected in the LURA. All such representations are enforceable by the Department and the tenants of the Development, including enforcement by administrative penalties for failure to perform, in accordance with the LURA. To protect the integrity of the Department's processes and decisions, evidence of false statements or misrepresentations from applicant representatives, neighborhood representatives, or other persons will be considered for appropriate action, including possible referral to local district and county attorneys."

7. **§50.9(g)(6)(B) – Evidence of Public Meeting.** This item is revised to show that either minutes and a tape, or a full transcript, must be provided to receive points. No minority opinion provided. Language recommended:

   "(B) Evidence that the Applicant has hosted a public meeting to which the neighborhood and other interested persons have been invited. Evidence must include copies of the method of notification used and either minutes of the meeting along with a taped record of the meeting, or a full transcript denoting a verbatim record of the meeting; and~~, as well as~~ a list of meeting attendees. (6 points)."

Two items which were not approved by the Working Group, but were proposed by the Committee and therefore would be considered minority opinions included deleting the requirement that the neighborhood organization include their number of members and their process and deleting the language that states that the neighborhood organizations notified may not necessarily also qualify for the QCP points. Because each of these issues were denied by vote the recommendation is for no change to be made.

III. COMMITTEE III – SPECIAL NEEDS POPULATIONS

Facilitator: Walter Moreau

No proposals were submitted by this Committee. Therefore, the Working Group did not take any formal action or approval any recommendations generated from this Committee for inclusion in the final report.

IV. COMMITTEE IV – FINNACIAL FEASIBILITY

Facilitator: Michael Hartman

1. **Comprehensive QAP Revision on Rent and Income Limits.** The Working Group agreed that the rent and income limits for 30% units, as referred to throughout the QAP, should be based upon the **greater** of either the local Area Median Family Income (AMFI) or the statewide AMFI. This revision should apply not only to the rent schedule and underwriting, but also to the low income targeting evaluation. Essentially, the recommendation is to be carried through the entire QAP, application submission and Department review. The Group noted that the Department will have to provide these income limits by number of people because they are not published by HUD. No minority opinion provided. Revised language not specifically provided.

2. **Rule Revision on Market Studies.** The Group had concerns regarding market analysts that provide deficient market studies. They recommend that the Market Analysis Rules and Guidelines (10 TAC §1.33) be revised to indicate that if noted deficiencies appear for a second consecutive year in market studies prepared by a particular analyst, then the Department must move swiftly to remove that analyst from the approved list. Furthermore, they recommend that the market study analyst for a particular Application should continue to be engaged by the Applicant. The developer on a particular development will have crucial insight into a particular market and needs to be free to work with the analyst in assessing the needs of the market. In this way, the Applicant can adjust to the needs of the market before the Application is filed. No minority opinion provided. Revised language not specifically provided.

3. **§50.3(47) on Ineligible Building Types.** The Group agrees that the bedroom mix for a particular development should be determined solely by the needs of the market and that the developer should set the bedroom mix (one, two, three and four bedroom) as well as the type of development (single family, townhome, garden apartments, etc.) based upon its analysis of the market supported by a third-party market analysis. Therefore, the group recommends deleting subparagraphs (E) and (G) of the definition for Ineligible Building Type. Language recommended below.

   The minority opinion of the committee regarding this issue was approved by the Working Group as their official Minority Opinion. That opinion is that certain Board members perceive abuses in credit demands by the developers that build four-bedroom units and to address this issue the Board placed limits on the bedroom mix (as opposed to setting a maximum limit on credits per unit). The minority opinion is that if the Board is not receptive to entirely deleting the limitation placed on the bedroom mix, then as an alternative the Board should consider setting a limit on credits per unit instead of on bedroom mixes.

   Under separate discussion the group voted on whether the term "new construction" should be added to the restriction on elevators in elderly developments which would mean that rehabilitation of elderly developments would not require elevators. This motion failed.

"(47) **Ineligible Building Types -** Those Developments which are ineligible, pursuant to this QAP, for funding under the Housing Tax Credit Program, as follows:

(A) Hospitals, nursing homes, trailer parks, dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (other than certain specific types of transitional housing for the homeless and single room occupancy units, as provided in the Code, §§42(i)(3)(B)(iii) and (iv)) are not eligible. However, structures formerly used as hospitals, nursing homes or dormitories are eligible for Housing Tax Credits if the Development involves the conversion of the building to a non-transient multifamily residential development.

(B) Any Qualified Elderly Development of two stories or more that does not include elevator service for any Units or living space above the first floor.

(C) Any Qualified Elderly Development with any Units having more than two bedrooms.

(D) Any Development with building(s) with four or more stories that does not include an elevator.

~~(E) Any Development proposing new construction, other than a Development (new construction or rehabilitation) composed entirely of single-family dwellings, having any Units with four or more bedrooms.~~

(F) Any Development that violates the Integrated Housing Policy of the Department.

~~(G) Any Development involving new construction (other than a Qualified Elderly Development, a single family development or a transitional housing development) in which any of the designs in clauses (i) through (iii) of this subparagraph are proposed. For purposes of this limitation, a den, study or other similar space that could reasonably function as a bedroom will be considered a bedroom.~~

~~(i) more than 60% of the total Units are one bedroom Units; or~~

~~(ii) more than 45% of the total Units are two bedroom Units; or~~

~~(iii) more than 35% of the total Units are three bedroom Units.~~"

4. **Discussion on Cost Caps per Unit.** The Group concurred, by vote, that the Department should not set a cap on costs per unit because there is no "typical" cost per unit. Costs vary greatly by type of unit (single family, townhome, garden-style, three-story, etc.), by size of units, and a host of other variables. The group felt that cost caps would diminish the quality of construction and potentially lead to the construction of inferior units that will not last through the end of the Extended Use Period. No minority opinion provided. Revised language not specifically provided.

5. **Comprehensive QAP Revision on Unit Limitations.** The Group recommends that all unit limitations throughout the QAP be divisible by four since townhouses are often built as fourplexes. No minority opinion provided. Revised language not specifically provided.

V. COMMITTEE V – DEFINITIONS

Facilitator: Sox Johnson

Definitions Committee recommendations were rolled into the presentation, discussion and recommendations made by Committee VII on Rural and Rehabilitation Issues. Please refer to the summary for Committee VII.

VI. COMMITTEE VI – REGIONAL ALLOCATION / AFFORDABLE HOUSING NEEDS SCORE

Facilitator: Bobby Bowling and Rowan Smith

1. The group discussed the extent to which the bond/4% developments should be represented in the formula. After discussion, the group voted on either having the regional allocation formula adjusted to remove 100% of the bond/4% amount from the formula, or on removing only the value of the bonds/credits (which is the equivalent of roughly 20% of the bond amount). The group approved, and formally recommends, that the second option (the value of roughly 20%) be applied in the 2005 calculation of the formula. The minority opinion was that the formula be adjusted to remove 100% of the bond/4% amount.

2. By vote, the group recommends that all PHA funds (including section 8 and operating subsidies) be removed from consideration in the formula.

VII. COMMITTEE VII – RURAL / REHAB (ALSO COVERED COMMITTEE V ON DEFINITIONS)

Facilitator: Dennis Hoover and Sox Johnson

1. **Interpretation and Handling of Regional Allocation and Defining Rural, Urban and Exurban Areas.** After discussion, the group identified three options for voting. Briefly: Option 1 proposed definitions for rural, urban and exurban that are tied purely to geographic location. Option 2 used this first option but also added an exception that allowed an increased unit cap in areas whose median income is less than $25,000. Option 3 defines rural and exurban and then also states that developments exceeding a given unit cap are moved from rural into urban/exurban, thereby making the designation not entirely geographically based. The Working Group by vote, approved Option 3 as the majority opinion and approved Option 1 as the minority opinion. While revised language is not specifically provided a summary of the recommendation is provided.

   The group approved their Majority Recommendation as Option 3, which is summarized as follows:
   - × The Department will continue to allocate housing funds to the 13 regions in the manner prescribed in 2306.111(d) that provides that the funding shall be based on the need for housing assistance and the availability of housing resources.
   - × Within each region, the funding shall initially be allocated between Rural and Urban/Exurban areas based on the need/availability formula.
   - × "Rural areas" as defined in 2306.6702(12) shall be used but clarification should be added that any new construction developments exceeding 76 units shall not qualify for the rural allocation, but instead will compete in the Urban/Exurban Allocation.
   - × The allocation of funds between Urban and Exurban shall be based on the population ratio that Urban bears to Exurban within that region. "Urban Regions" are high growth regions with populations in excess of 1,000,000 people. An "Urban City" is a city with a population equal to or greater than 250,000. The Exurban area is the area outside of the Urban City. An "exurban community" can be located in either a (1) Rural Area or (2) a non-urban city or (3) an unincorporated area with an Urban Region. The Exurban allocation is a separate funding allocation and does not impact the Rural Allocation.

   The group approved the following recommended definition additions/revisions to support this Majority Opinion that would be added to §50.3.

   <u>"(#) Urban Area – An area that is located inside the boundaries of a metropolitan statistical area with a population of more than one million and that is also inside the boundaries of a city or place with a population of more than 250,000."</u>

"(#) Exurban Area – an area that is located:

(A) Inside the boundaries of a metropolitan statistical area with a population of less than one million and that is also inside the boundaries of a city or place with a population of less than 250,000.

(B) Outside of a rural area in a city or place with a population of more than 20,000.

(C) Inside the rural area in a city or place with a population of less than 20,000 if the new construction development exceeds the 96 unit cap fur rural developments. "

(70) **Rural Area** – An area that is located:

(A) Inside the boundaries of a city or place with a population of less than 20,000 and does not share a boundary with a city or place having a population of more than 20,000; or~~outside the boundaries of a primary metropolitan statistical area or a metropolitan statistical area~~;

(B~~) within the boundaries of a primary metropolitan statistical area or a metropolitan statistical area, if the statistical area has a population of 20,000 or less and does not share a boundary with an urban area; or~~

(C) in an area that is eligible for new construction or rehabilitation funding for Programs by TX-USDA-RHS.

The group approved their Minority Opinion as Option 1, which is summarized as follows:

× Creates a definition for Urban Area as "an area that is located inside the boundaries of a metropolitan statistical area with a population of more than one million and that is also inside the boundaries of a city or place with a population of more than 250,000.

× Creates a definition of Exurban Area as "an area that is located outside an urban area in a city or place with a population of less than 250,000; or outside of a rural area in a city or place with a population of more than 20,000."

× Revises the definition of Rural Area to "an area that is located inside the boundaries of a city or place with a population of less than 20,000 and does not share a boundary with a city or place having a population of more than 20,000; or in an area that is eligible for new construction or rehabilitation funding for programs by TX-USDA-RHS.

2. **§50.6(e) – Size Limitations on Rural Developments.** The Group approved a new Rural Allocation size limit of 96 units. The minority recommendation was a tie between 80 and 104 units. Language recommended:

"(2) Rural Developments involving new construction will be limited to 96~~76~~ Units. Developments exceeding 96 Units will be attributed to the Urban/Exurban Allocation.~~ unless the Market Analysis clearly documents that larger developments are consistent with the comparables in the community and that there is significant demand for additional Units.~~ Rural Developments involving only rehabilitation do not have a size limitation."

3. **§50.7(a) – Regional Allocation Language Relating to the USDA 538 Program.** The Group approved a revision to the paragraph on Regional Allocation that relates to the 538 Program. No minority opinion provided. Language recommended:

   "~~Developments financed through TX-USDA-RHS's 538 Guaranteed Rural Rental Housing Program will not be considered under this set-aside.~~"

4. **§50.7(b) – Set Aside for USDA.** The group voted on whether to increase the USDA set-aside from 5% to 10%. This motion failed. On that same topic, the group then approved by vote to keep the 5% regional allocation for USDA but also approved the concept that an additional 5% of the At-Risk Set-Aside be targeted for USDA. (It is not clear whether this was approved as 5% of 15%, yielding a total increase of only 0.75%; or 5% of the total set-aside and therefore 1/3 of the At-Risk Set-Aside.) No minority opinion provided. Revised language not specifically provided.

5. **§50.8(c) –Pre-Application**. The group voted on, and decided not to include, the USDA 514 Program in the pre-application exception. This item is revised to show that applications under the USDA 514 Program also are not required to participate in the Pre-Application process. No minority opinion provided. Language recommended:

   "Eligible Pre-Applications will be evaluated for Pre-Application Threshold Criteria, and if requested by the Applicant, evaluated in regard to the inclusive capture rate as restricted under §1.32(g)(2) of this title. Any Application from a TX-USDA-RHS 515 Development (~~including new construction and~~ only for rehabilitation) is exempted from the Pre-Application Evaluation Process and will automatically receive the Pre-Application points further outlined in §50.9(g) of this title.~~is not eligible to receive points for submission of a Pre-Application.~~ Applications involving New Construction that are associated with a TX-USDA-RHS Development are not exempt from Pre-Application and are eligible to compete for the Pre-Application points further outlined in §50.9(g) of this title. An Application that has not received confirmation from the state office of RHS of its financing from TX-USDA-RHS may qualify for Pre-Application points, but such points shall be withdrawn upon the Development's receipt of TX-USDA-RHS financing. Pre-Applications that are found to have Administrative Deficiencies will be handled in accordance with §50.9(d)(3) of this title."

6. **§50.9(d)(4) – Subsequent Evaluation of Prioritized Applications**. The Group voted to make the following revision. No minority opinion provided. Language recommended:

   "Funds for the Rural Regional Allocation or Urban/Exurban Regional Allocation within a region, for which there are no eligible feasible applications, will be redistributed as provided in §50.7(c) Redistribution of Credits. ~~will go to the Urban/Exurban Regional Allocation for that region and will not be shifted to Rural Developments in another region.~~"

7. **§50.9(g)(1)b – USDA language in Financial Feasibility Exhibit**. This item is revised for clarification regarding the acceptable form from USDA. No minority opinion provided. Language recommended:

"For developments receiving financing from TX-USDA-RHS, the form entitled "Sources and Uses Comprehensive Evaluation for Multi-Family Housing Loans" or other form deemed acceptable by the Department shall meet the requirements of this section. (28 points)."

8. **§50.9(g)(18)(A) – Regarding Penalty Points**. This item is revised for clarification that the penalty points should not be deducted for extensions associated with developments that have USDA as a lender. No minority opinion provided. Language recommended:

   "No penalty points will be deducted for extensions that were requested on developments that involved rehabilitation or in which the Department is the primary lender. No penalty points will be deducted for extensions that were requested on Developments that involve TX-USDA-RHS as a lender if TX-USDA-RHS is the cause for the Applicant not meeting the deadline."

9. **§50.10(c) – Forward Commitments.** The Working Group voted to continue the Rural Rescue activity within the Forward Commitment language for another year. No minority opinion provided. No revision necessary.

10. **§50.19(g)(3) – Exception on Compliance Monitoring**. This item is revised for clarification regarding the Memorandum of Understanding for Compliance with USDA. No minority opinion provided. Language recommended:

    "(3) Exception. The Department may, at its discretion, enter into a Memorandum of Understanding with the TX-USDA-RHS, whereby the TX-USDA-RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed by the TX-USDA-RHS under its §514 or §515 programs. Owners of such buildings may be excepted from the review procedures of subparagraph (B) or (C) of paragraph (2) of this subsection or both; however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions of the Code, §42(g)(1) and (2), are met, the Development Owner must provide the Department with additional information. TX-USDA-RHS Developments satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS , which includes persons with disabilities."

11. **Addition of Ineligibility Criteria**: The Group voted to approve the addition of a new ineligibility criteria that would identify applicants who fail to make loan repayments to the Department as being ineligible for funds. No minority opinion provided. Language recommended:

    "The Applicant, Development Owner, Developer, or any Guarantor, or any Affiliate of such entity has been a Principal of any entity that failed to make all loan payments in accordance with the original terms of the loan to the Department or was otherwise in default with any provisions of any loans from the Department."

VIII. COMMITTEE VIII – THRESHOLD /STREAMLINING

Facilitator: Patrick Barbolla and John Pitts

1. **§50.9(f)(4)(B)(iii) – Provision of Disposals and Dishwashers as Threshold**. The group recommends that dishwashers and disposals should not be a threshold requirement on developments involving the rehabilitation of existing elderly developments. No minority opinion provided. Language recommended:

   "(iii) Dishwasher and Disposal (not required for TX-USDA-RHS Developments or Developments involving the rehabilitation of existing elderly properties);"

2. **§50.9(f)(9)(B) – Organization Documentation for Threshold**. The group recommends that the only organizational document that should be required at application for threshold is a reservation of name for a to-be-formed entity or evidence of authority to do business in Texas for existing entities. All other items should be required after award. No minority opinion provided. Language recommended:

   "(B) Each entity shown on an organizational chart as described in subparagraph (A) of this paragraph that has 10% or more ownership interest in the Development Owner, Developer or Guarantor, shall provide the following documentation, as applicable:

   (i) For entities that are not yet formed but are to be formed either in or outside of the state of Texas, a certificate of reservation of the entity name from the Texas Secretary of State;~~:~~ or

   ~~(I) a certificate of reservation of the entity name from the Texas Secretary of State or from the state in which the entity is to be formed if different from Texas; and~~

   ~~(II) executed letter(s) of intent to organize signed by a representative of each organization that is a party to the proposal or a copy of the draft organizational documents for the entity to be formed including Articles of Incorporation, Articles of Organization or Partnership Agreement with a signed notation from a representative of each organization acknowledging intent to organize.~~

   (ii) For existing entities whether formed in or outside of the state of Texas, evidence that the entity has the authority to do business in Texas or has applied for such authority.~~:~~

   ~~(I) A Certificate of Account Status from the Texas Comptroller of Public Accounts or, if such a Certificate is not available because the entity is newly formed, a statement to such effect; and a Certificate of Organization from the Secretary of State; and~~

   ~~(II) for entities formed in a state other than Texas a certificate of authority to do business in Texas or an application for a certificate of authority,~~

   ~~(III) Copies of the entity's governing documents, including, but not limited to, its Articles of Incorporation, Articles of Organization, Certificate of Limited Partnership, Bylaws, Regulations and/or Partnership Agreement.~~

   ~~(iii) the Applicant must provide evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control and that those Persons signing the Application constitute all Persons required to sign or submit such documents. A cover sheet must be placed before the copy of the organizational documents, identifying the relevant document(s) where the evidence of authority to sign is to be found and specifying exactly where the applicable information exists within all relevant documents by page number or by section and subsection if the pages are not numbered.~~"

Addition to §50.13 (creation of new subsection (c)):

"(c) Documentation Submission Requirements at Commitment of Funds. No later than the date the Commitment Notice is executed by the Applicant and returned to the Department with the appropriate Commitment Fee as further described in §50.21(f) of this title, the following documents must also be provided to the Department. Failure to provide these documents may cause the Commitment to be withdrawn.

(1) Organizational Documents. For each Applicant all of the following must be provided:

(A) Evidence that the entity has the authority to do business in Texas;

(B) A Certificate of Account Status from the Texas Comptroller of Public Accounts or, if such a Certificate is not available because the entity is newly formed, a statement to such effect; and a Certificate of Organization from the Secretary of State;

(C) Copies of the entity's governing documents, including, but not limited to, its Articles of Incorporation, Articles of Organization, Certificate of Limited Partnership, Bylaws, Regulations and/or Partnership Agreement; and

(iii) the Applicant must provide evidence that the signer(s) of the Application have the authority to sign on behalf of the Applicant in the form of a corporate resolution or by-laws which indicate same from the sub-entity in Control and that those Persons signing the Application constitute all Persons required to sign or submit such documents."

3. **§50.9(g)(18)(A), §50.15(a) and §50.21(k) – Extensions**. The group recommends an extension of time for the construction loan closing to September 1st for all financing requiring governmental approval such as FHA-insured loans, HUD, USDA, etc. By extending the deadline and removing the penalty, the group feels that the Department will encourage development that would generally be less feasible to seek out other financing alternatives that may take more time. Additionally, the group approved a revision to §50.21(k) that allows extension requests to be filed up to the applicable deadline date. No minority opinion provided. Language recommended:

"(A) [2306.6710(b)(2)] Penalties will be imposed on an Application if the Applicant has requested extensions of Department deadlines, and did not meet the original submission deadlines, relating to developments receiving a housing tax credit commitment made in the application round preceding the current round. Extensions that will receive penalties are those extensions related to the submission of the carryover and the closing of the construction loan as identified in §50.21 of this title. For each extension request made, the Applicant will be required to pay a $2,500 extension fee as provided in §50.21(k) of this title and will receive a 2 point deduction for not meeting the Carryover deadline and a 5 point deduction for not meeting the closing of the construction loan deadline. Subsequent extension requests after the first extension request made for each development from the preceding round for these two deadlines will not result in a further point reduction than already described. No penalty points will be deducted for extensions that were requested on developments that involved rehabilitation or in which the Department is the primary lender. No penalty points, or fee, are applied for extensions on the closing of the construction loan that involve an initial September 1 extension made for Developments in which the financing requires governmental approval as further described in §50.15(a) of this title."

Revisions to §50.15(a): "(a) **Closing of the Construction Loan.** The Development Owner must submit evidence of having closed the construction loan. The evidence must be submitted no later than June 1 of the year after the execution of the Carryover Allocation Document, and no later than 14 days after the closing of the construction loan for Tax Exempt Bond Developments, with the possibility of an extension as described in §50.21 of this title. For Developments in which the financing requires governmental approval (e.g. FHA-insured loans, HUD loans, TX-USDA-RHS loans), an extension to September 1 of the year after the execution of the Carryover Allocation Document will be granted if the Development Owner provides a letter from the lender that indicates at a minimum that the Development Owner is requesting financing that is insured or made by a federal source, that the loan application is active and made in good faith, and that provides an estimate of when loan approval is expected. At the time of submission of the documentation, the Development Owner must also submit a Management Plan and an Affirmative Marketing Plan as further described in the Carryover Allocation Procedures Manual. The Carryover Allocation will automatically be terminated if the Development Owner fails to meet the aforementioned closing deadline (taking into account any extensions), and has not had an extension approved, and all credits previously allocated to that Development will be recovered and become a part of the State Housing Credit Ceiling for the applicable year. Owners of Tax Exempt Bond Developments will be fined $2,500 if this requirement is not fulfilled."

Revisions to §50.21(k): "(k) **Extension Requests**. All extension requests relating to the Commitment Notice, Carryover, Closing of Construction Loan, Substantial Construction Commencement, Placed in Service or Cost Certification requirements shall be submitted to the Department in writing and be accompanied by a non-refundable extension fee in the form of a check in the amount of $2,500. Those extensions on the closing of the construction loan that involve an initial September 1 extension made for Developments in which the financing requires governmental approval as further described in §50.15(a) of this title will not be required to submit the $2,500 fee. Such requests must be submitted to the Department no later than ~~at least 20 days prior to~~ the date for which an extension is being requested and will not be accepted any later than this deadline date. The extension request shall specify a requested extension date and the reason why such an extension is required. Carryover extension requests shall not request an extended deadline later than December 1st of the year the Commitment Notice was issued. The Department, in its sole discretion, may consider and grant such extension requests for all items except for the Closing of Construction Loan and Substantial Construction Commencement. The Board may grant extensions, for the Closing of Construction Loan and Substantial Construction Commencement. The Board may waive related fees for good cause."

4. **§50.12(d) – Credit Amounts for Bond Developments**. The group recommends permitting increases to bond amounts as long as they do not exceed the amount permitted under Internal Revenue Code §42(m)(2)(d); the amount of credits should not be contingent on whether the cost increases were unavoidable or unforeseeable. Additionally, they recommend that increases greater than 110% of the original credit amount on the Determination Notice be approved by the Board, but that all other increases of a lesser amount be approved administratively. It should be noted that the language in the 2004 QAP currently only refers to §42(m)(2)(D) and does not restrict the increases to unavoidable or unforeseeable cost increases (this was in the 2003 QAP and removed for 2004). No minority opinion provided. Language recommended:

"The Determination Notice issued by the Department and any subsequent IRS Form(s) 8609 will reflect the amount of tax credits for which the Development is determined to be eligible in accordance with this subsection, and the amount of tax credits reflected in the IRS Form 8609 may be greater or less than the amount set forth in the Determination Notice, based upon the Department's and the bond issuer's determination as of each building's placement in service. Any increase of tax credits, from the amount specified in the Determination Notice, at the time of each building's placement in service will only be permitted if it is determined by the Department, as required by Code §42(m)(2)(D), that the Tax Exempt Bond Development does not receive more tax credits than the amount needed for the financial feasibility and viability of a Development throughout the Compliance Period.~~, and~~ Increases to the amount of tax credits that exceed 110% of the amount of credits reflected in the Determination Notice are contingent upon approval by the Board. Increases to the amount of tax credits that do not exceed 110% of the amount of credits reflected in the Determination Notice shall be approved administratively with approval from the Executive Director."

5. **§50.16(a) – Cost Certification**. The group recommends that a title policy or 'nothing further certificate' be required with the cost certification documents and that it be dated on or after the date of substantial completion. No minority opinion provided. Language recommended:

   Proposed to be Added to the end of paragraph (a): "At the time the Cost Certification documentation is provided, a title policy or 'nothing further certificate' must be provided dated on or after the date of substantial completion."

6. **QAP Addition Regarding Housing Sponsor Report.** The group recommends that the Threshold Criteria be updated to require that Applicants who have an ownership interest in existing properties in the Department's inventory must have submitted the Housing Sponsor Report on all of those properties. They recommend that the reports must all be submitted within 90 days of the submission of the application, but that if it is not provided it should not trigger termination. No minority opinion provided. Revised language not specifically provided.

Minority Opinion: One item was proposed, but failed upon voting to garner approval of the Working Group. This is noted as a minority item. It was the suggestion that the application documentation for the nonprofit set-aside applicants should only include an IRS determination letter and that all other documentation should be provided after the award is made.

IX. COMMITTEE IX – COMPLIANCE AND UTILITY ALLOWANCES

Facilitator: Mike Clark

Mike Clark, the facilitator for this Committee, has reported that the work of this committee was outside the scope of the QAP. They will give input regarding compliance issues as the Compliance Rule is developed. Because the utility allowance issues are national in scope, no action is recommended for the QAP. The group does not recommend any revisions to the QAP.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 9, 2004

Action Items

Request approval of the proposed amended 2005 HOME Rules to be released in draft form for public comment.

Required Action

Approve the proposed amended 2005 HOME Rules for release as a draft.

Background and Recommendations

Attached are the proposed Draft HOME Rules that reflect comments provided through a roundtable discussion open to the public on July 20, 2004, written public input, and staff's recommendations for revisions. The document provided reflects the proposed amendments in "black line" version showing the proposed changes from the HOME Rules currently in effect which were last amended by the Board on April 14, 2003. The "black line" version shows new language as underlined and deleted language with a line running through it. Upon approval by the Board, the amended Draft Rules will be published in the *Texas Register* and released to the public for comment. Public hearings will be held on the proposed amended Draft Rules, as well as the other rules before the Board at this meeting, from approximately September 27 to October 8, 2004. The final rule will come before the Board in November 2004.

The primary changes that are proposed were to ensure consistency with Texas Government Code, updates to the federal HOME rules at 24 CFR Part 92, provide guidance on the management of Open Application Cycles by the Department and adds language that ensures consistency with other multifamily rules to the extent that HOME will be used for multifamily development.

Summary of Amendments

- Added definitions for both Competitive and Open application cycles to the rules. The purpose of these changes was to clarify differences in the two processes. (§53.51)

- Clarification of the definition of Homebuyer Assistance (§53.51)

- Clarification and elaboration to the definition of Non-Profit to be consistent with HUD and other Department rules. (§53.51)

- Clarification of the Department's rules regarding Ineligible Applicants to be consistent with other Department rules. (§53.52[b])

- Linked rental housing site and development restrictions to other Department rules to eliminate possible differences. (§53.52[e])

- Change in limitations on development size to allow for a maximum development of 252 units and a minimum of 4 units. This change is consistent with other Department programs. (§53.52[f])

- Set maximum award amounts for Disaster Relief and Predevelopment Loan activities. (§53.53[5] & [6])

- Clarification to Tenant Based Rental Assistance and Predevelopment Loans program activities. (§53.54 [d] &[f])

- Allowance for a separate application cycle for CHDO Operating Expenses as allowed under 24 CFR §92.300. (§53.56 [5])

- Description of the application review process for Open Cycles. (§53.58[b])

- Update to definition of Alternative Dispute Resolution process. (§53.58[d])

- Elimination of Financial Design and addition of Financial Feasibility as a measure for section criteria for development applications. (§53.60[4])

- Addition of Accounting Requirements under Program Administration section. (§53.61[f])

Additional modifications were made to align the proposed rules with either federal or state legislative language.

Summary of 2005 HOME Rule Roundtable

The 2005 HOME Roundtable, held on July 20, 2004, was attended by more than thirty participants representing for-profit and nonprofit developers, as well as consultants, advocates, and market analysts. Department staff opened the meeting with introductions of staff members and a brief description of staff's proposed changes to the rule. The floor was then opened up for comments and questions by participants. The discussions were lively at times and covered a broad number of categories. Here is a short list of some of the comments that were provided to us by participants relating to the HOME Rules.

- Several participants noted that rural developments have trouble finding accurate information for market studies and that the cost of studies was prohibitive for very small projects.
- Many of the CHDO participants expressed interest in the creation of an Operating Grant application round that would be separate from other housing development applications.
- There was some concern expressed over the continued existence of "puppet" CHDOs and other nonprofits that do not act in the interest of local communities.
- A number of participants noted that the Department must look into providing grants for small projects and in areas where the median income levels are so low that projects provide little or no income to cover debt service.
- Many speakers noted that CHDO predevelopment loans would be welcomed if they could be forgiven for unforeseen pitfall with developments, and were made available for the acquisition of land and other services without having to be on a reimbursement basis.
- The process of moving from award to closing of contracts was seen as having problems. Examples included slow response to draw requests, delays in environmental reviews and

contract closings. Staff was unable to determine if these delays were as a result of internal or external factors.

- Several participants brought into question the validity or value of using AHNS scoring for application review.
- The interest in allowing applicants to apply to the HOME Demonstration fund was high, and support for allocating funds for 2005 nearly unanimous.
- Some participants noted that if capacity building funds were to be made available that they should target new CHDOs that had not previously been successful.
- The interest in creating a single family development program was also high.
- Most every participant agreed that the Department should not require applicants to have match or use match as a scoring item because of the limited resources of rural communities. Also, it was questioned whether applicants would be allowed to bank match for consideration on future projects or not.
- The targeting of Very-Low Income populations seemed to be a difficult matter and several participants argued the value of such targeting. However, if the Department was able to use this as a reason to provide grants instead of loans, then this could assist in helping more very-low income families.
- Many participants agreed that the Department should get tougher on accessibility requirements and enforcement among those who do not comply with regulations.
- Problems with relocation and substantial rehab projects continue to be related to federal and state regulations and additional monies may need to be made available for relocation services.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Proposed 2005 HOME Rule

Title 10, Part 1, Chapter 53 Texas Administrative Code

§53.50. Scope

The rules in this chapter apply to the use and distribution of HOME Investment Partnerships Program (HOME) funds. The United States Department of Housing and Urban Development (HUD) provides HOME funds to the State pursuant to Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990 (42 United States Code §§12701-12839) and HUD regulations at 24 Code of Federal Regulations (CFR) Part 92. The State's HOME Program is designed to:

(1) expend at least 95% of the funds received for the benefit of non-participating small cities and rural areas that do not receive HOME funds directly from HUD.

(2) focus on the areas with the greatest housing need described in the State Consolidated Plan;

(3) provide funds for home ownership and rental housing through acquisition, new construction, rehabilitation, reconstruction, tenant-based rental assistance, and pre-development loans;

(4) promote partnerships among all levels of government and the private sector, including non-profit and for-profit organizations; and

(5) provide low, very low, and extremely low income Texans with affordable, decent, safe and sanitary housing.

§53.51. Definitions

The following words and terms, when used in this chapter, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Activity--A form of assistance by which HOME funds are used to provide incentives to develop and support affordable housing and homeownership through acquisition, new construction, reconstruction, and rehabilitation of housing.

(2) Administrative Deficiencies--The absence of information or a document from the application which is important to a review and scoring of the application as required in this rule.

(3) Applicant--An eligible entity which is preparing to submit or has submitted an application for HOME funds and is designated in the application to assume contractual liability and legal responsibility as the Recipient executing the written agreement with the Department.

(4) Board--The governing board of the Texas Department of Housing and Community Affairs.

(5) CFR--Code of Federal Regulations.

(6) Colonia--A geographic area located in a county some part of which is within 150 miles of the international border of this state that:

(A) has a majority population composed of individuals and families of low income and very low income, based on the federal Office of Management and Budget poverty index, and meets the qualifications of an economically distressed area under §17.921, Water Code; or

(B) has the physical and economic characteristics of a Colonia, as determined by the Texas Water Development Board.

(7) Community Housing Development Organization (CHDO)--A private nonprofit organization that satisfies the requirements of 24 CFR 92.2 and is certified as such by the Department.

(8) Community Housing Development Organization Pre-Development Loan—A form of assistance in which funds are made available as loans to cover those costs outlined in 24 CFR 92.301.

(9) Competitive Application Cycle--A Notice of Funding Availability that has a fixed deadline by which applications must be submitted. Applications will be reviewed for threshold and scoring criteria in accordance with the rules for application review published in the NOFA.

~~(9)~~(10) Consolidated Plan--The State Consolidated Plan prepared in accordance with 24 CFR Part 91, which describes the needs, resources, priorities and proposed activities to be undertaken with respect to certain HUD programs and is subject to approval annually by HUD.

~~(10)~~(11) Demonstration Fund--A reserve fund for use alone or in combination and coordination with other programs administered by the Department. This Fund will be available for out of cycle applications, innovative programs brought to the Department for consideration and emergency programs. Additionally, this fund may be used with other programs administered by the Department as outlined in the Consolidated Plan, as approved by the Board.

~~(11)~~(12) Department--The Texas Department of Housing and Community Affairs.

~~(12)~~(13) Development- Projects that have a construction component, either in the form of new construction or the rehabilitation of multi-unit or single family residential housing that meet the affordability requirements.

~~(13)~~(14) Expenditure--Approved expense evidenced by documentation submitted by the Recipient to the Department for purposes of drawing funds from HUD's

Integrated Disbursement and Information System (IDIS) ~~IDIS~~ for work completed, inspected and certified as complete, and as otherwise required by the Department.

~~(14)~~(15) Family- Includes but is not limited to the following types of families as defined in 24 CFR 5.403:

(A) A family with or without children;

(B) An elderly family;

(C) A near elderly family;

(D) A disabled family;

(E) A displaced family;

(F) The remaining member of a tenant family; and

(G) A single person who is not an elderly or displaced person or a person with disabilities or the remaining member of a tenant family.

~~(15)~~(16) Homebuyer Assistance--Down payment, ~~and~~ closing costs, and gap financing assistance provided to eligible homebuyers. Minor rehabilitation may be combined with Homebuyer Assistance.

~~(16)~~(17) HOME--The HOME Investment Partnerships Program at 42 United States Code §§12701-12839 and the regulations promulgated thereafter at 24 CFR Part 92.

~~(17)~~(18) Household--One or more persons occupying a housing unit.

~~(18)~~(19) HUD--The United States Department of Housing and Urban Development, or its successor.

~~(19)~~(20) IDIS--Integrated Disbursement and Information System established by HUD.

~~(20)~~(21) Income Eligible Families:

(A) Low-Income Families--Families whose annual incomes do not exceed 80% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

(B) Very Low-Income Families-- Families whose annual incomes do not exceed 50% of the median family income for the area, as determined by HUD and published by the Department, with adjustments for family size.

(C) Extremely Low Income Families--Families whose annual incomes do not exceed 30% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

~~(21)~~(22) Match--Eligible forms of non-federal contributions to a program or project in the forms specified in 24 CFR 92.220.

~~(22)~~(23) NOFA--Notice of Funding Availability, published in the Texas Register.

~~(23)~~(24) Nonprofit organization--A public or private organization that:

(A) is organized under state or local laws;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; and

(C) has a current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, or Section 501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective throughout the length of any contract agreements; or classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(D) A private nonprofit organization's pending application for 501(c)(3) or (c)(4) status cannot be used to comply with the tax status requirement.

~~(C)has a tax exemption ruling form the Internal Revenue Service under the Internal Revenue Code of 1986, §501 (c), as amended.~~

(25) Open Application Cycle—A Notice of Funding Availability that does not have a fixed deadline by which applications must be submitted. Applications will be reviewed in accordance with the rules for application review published in the NOFA.

~~(24)~~(26) Owner-Occupied Housing Assistance--A form of assistance for the purpose of rehabilitating or reconstructing existing owner-occupied housing.

~~(25)~~(27) Participating Jurisdiction (PJ)--Any state or unit of general local government, including consortia as specified in 24 CFR 92.101, designated by HUD in accordance with 24 CFR 92.105.

~~(26)~~(28) Program--Funds provided in the form of a contract to an eligible Applicant for the purpose of administering more than one Project or assisting more than one household.

~~(27)~~(29) Program Income--Gross income received by the Department or program administrators directly generated from the use of HOME funds or matching contributions as further described in 24 CFR 92.2.

~~(28)~~(30) Project--A site or an entire building (including a manufactured housing unit), or two or more buildings, together with the site or sites on which the building or buildings are located, that are under common ownership, management, and financing and are to be assisted with HOME funds, under a commitment by the owner, as a single undertaking under 24 CFR 92.2.

~~(29)~~(31) Recipient--A successful applicant that has been awarded funds by the Department to administer a HOME program, including a State Recipient, Subrecipient, for-profit entity, nonprofit entity, or CHDO.

~~(30)~~(32) Rental Housing Development-- A project for the acquisition, new construction, reconstruction or rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing.

~~(31)~~(33) Rural Area--A project located within an area which:

(A) is situated outside the boundaries of a primary metropolitan statistical area (PMSA) or a metropolitan statistical area (MSA);

(B) within the boundaries of a primary metropolitan statistical area (PMSA) or a metropolitan statistical area (MSA), if the statistical area has a population of 20,000 or less and does not share a boundary with an urban area; or

(C) in an area that is eligible for funding by the Texas-United States Department of Agriculture-Rural Housing Service (TX-USDA-RHS).

~~(32)~~(34) Single Family Housing Development-- A form of assistance to make funds available to HOME eligible Applicants including non-profit organizations, CHDOs, units of general local government, for-profit housing organizations, sole proprietors and public housing agencies for the purpose of constructing single family affordable housing units for homeownership.

~~(33)~~(35) Special Needs--Those individuals or categories of individuals determined by the Department to have unmet housing needs consistent with 42 USC §12701 et seq. and as provided in the Consolidated Plan.

~~(34)~~(36) State Recipient-- A unit of general local government designated by the Department to receive HOME funds.

~~(35)~~(37) Subrecipient-- A public agency or nonprofit organization selected by the Department to administer all or a portion of the Department's HOME program. A public agency or nonprofit that receives HOME funds solely as a developer or owner of housing is not a Subrecipient. The Department's selection of a Subrecipient is not subject to the procurement procedures and requirements.

~~(36)~~(38) Tenant~~-~~-Based Rental Assistance (TBRA)--A form of rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. Tenant-based rental assistance also includes security deposits and utility deposits ~~and allowances~~ for rental of dwelling units.

~~(37)~~(39) Unit of General Local Government--A city, town, county, or other general purpose political subdivision of the State; a consortium of such subdivisions recognized by HUD in accordance with 24 CFR 92.101 and any agency or instrumentality thereof that is established pursuant to legislation and designated by the chief executive to act on behalf of the jurisdiction. An urban county is considered a unit of general local government under the HOME Program.

§53.52. Applicant Requirements

(a) Eligible Applicants. The following organizations or entities are eligible to apply for HOME eligible activities:

(1) nonprofit organizations;

(2) CHDOs;

(3) units of general local government;

(4) for-profit entities and sole proprietors; and

(5) public housing agencies.

(b) Ineligible Applicants: The following violations will cause an Applicant, and any applications they have submitted, to be ineligible:

(1) Previously funded Recipient(s) whose HOME funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to the current funding cycle;

(2) Applicants who have not satisfied all eligibility requirements described in subsection (f) of this title and the NOFA to which they are responding, and for which Administrative Deficiencies were unresolved (relating to Applicant Requirements);

(3) Applicants that have failed to make payment on any loans or fee commitments made with the Department;

~~(3)Applicants who have submitted incomplete applications;~~

(4) Applicants that have been otherwise barred by HUD and/or the Department;

(5) Applicant or developer, or their staff, that violate the state revolving door policy; and

(6) Applicants that may be ineligible in accordance with those requirements at 49.5 of this title.

(c) Restrictions on Communication.

(1) The Applicant or other person that is active in the ownership or control of the proposed Activity, or individual employed as a lobbyist or in another capacity on behalf of the application, may not communicate with any Board member with respect to the application during the period of time starting with the time an application is submitted until the time the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application.

(2) Applicants are restricted from communication with Department staff as described in this subsection. The Applicant or a Related Party, the Development Owner, or the General Contractor, or any Affiliate of the General Contractor, that is active in the ownership or control of the application, or individual employed as a lobbyist or in another capacity on behalf of the application, may communicate with an employee of the Department with respect to the application so long as that communication satisfies the conditions established under subparagraphs (A) through (E) of this paragraph. Communication with Department employees is unrestricted during any board meeting or public hearing held with respect to that application.

(A) The communication must be restricted to technical or administrative matters directly affecting the application;

(B) The communication must occur or be received on the premises of the Department during established business hours;

(C) Communication with the Executive Director, the Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Single Family Finance Production, the Director of Portfolio Management and Compliance, and the Director of Real Estate Analysis of the Department must only be in written form which includes electronic communication through the Internet; and

(D) Communication with other Department staff may be oral or in written form which includes electronic communication through the Internet; and

(E) A record of the communication must be maintained by the Department and included with the application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication.

(d) Noncompliance. Each application will be reviewed for its compliance history by the Department, consistent with Chapter 60 of this title. Applications found to be in Material Noncompliance, or otherwise violating the compliance rules of the Department, will be terminated.

(e) Rental Housing Development Site and Development Restrictions. Restrictions include all those items referred to in §49.6 of this title, 24 CFR Part 92 of the HUD HOME program rules, and any additional items included in the NOFA for rental housing developments.

~~(1)Floodplain. Any Development proposing new construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No Developments proposing rehabilitation will be permitted in the 100 year floodplain unless they already are constructed in accordance with the policy stated in this paragraph for new construction or are able to provide evidence of flood insurance on the buildings and the contents of the units.~~

~~(2)Ineligible Building Types. Applications involving Ineligible Building Types will not be eligible for an award. Those buildings or facilities which are ineligible are as follows:~~

~~(A)Hospitals, nursing homes, trailer parks and dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (other than certain specific types of transitional housing for the homeless and single room occupancy units) are ineligible. However, structures formerly used as hospitals, nursing homes or~~

~~dormitories are eligible if the Development involves the conversion of the building to a non-transient multifamily residential development.~~

~~(B)Any elderly development of two stories or more that does not include elevator service for any Units or living space above the first floor.~~

~~(C)Any elderly development with any units having more than two bedrooms.~~

~~(D)Any Development with building(s) with four or more stories that does not include an elevator.~~

~~(E)Any Development proposing new construction, other than a Development (new construction or rehabilitation) composed entirely of single-family dwellings, having any Units with four or more bedrooms.~~

~~(3)~~(f) Limitations on the Size of Developments. Developments involving new construction will be limited to 25~~0~~2 Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions. The minimum number of units shall be 4 units under all Development programs.

~~(4)Unacceptable Sites. Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.~~

~~(f)~~(g) Eligibility requirements. An Applicant must satisfy each of the following requirements in order to be eligible to apply for HOME funding and as more fully described in the NOFA, when applicable:

(1) provide evidence of its ability to carry out the Program in the areas of financing, acquiring, rehabilitating, developing or managing affordable housing developments;

(2) demonstrate fiscal, programmatic, and contractual compliance on previously awarded Department contracts or loan agreements;

(3) resolve any previous audit findings, unless deemed irresolvable by the Department, and/or outstanding monetary obligations with the Department;

(4) demonstrate reasonable HOME Program expenditure and project performance on ~~open~~ contract(s), as determined through program monitoring~~. Evidence of expenditure and project identification is submitted with the application, and is reconciled with the Department's IDIS reports during the application review process~~; and

(5) demonstrate satisfactory performance otherwise required by the Department and set out in the application guidelines.

~~(g)~~(h) If indicated by the Department, Recipients must comply with all requirements to utilize the Department's website to provide necessary data to the Department.

~~(h)~~(i) For funds being used for Rental Housing Developments, the Recipient must establish a reserve account consistent with §2306.186, Texas Government Code, and as further described in §1.37 ~~Chapter 60~~ of this title.

§53.53. Application Limitations

An eligible Applicant may apply for several eligible activities provided that the total amount requested does not exceed the funding limits established in this section. The Department reserves the right to reduce the amount requested in an application based on program or project feasibility, underwriting analysis, or availability of funds:

(1) Award amount for Owner-Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance shall not exceed $500,000 per Activity, per NOFA, except as may be otherwise allowed by the Board.

(2) Award amount for Development activities shall not exceed $1.5 million, except as may be recommended by staff and otherwise ~~allowed~~ approved by the Board.

(3) Award amount for CHDO Operating Expenses shall not exceed in any fiscal year ~~operating expenses in each fiscal year up to~~ 50% ~~,~~of the CHDO's total annual operating expenses in that fiscal year, or $50,000, whichever is greater.

(4) Per unit subsidy for all HOME-assisted housing may not exceed the per-unit dollar limits established by HUD under §221(d)(3) of the National Housing Act which are applicable to the area in which the housing is located, and published by the Department.

(5) Award amount for Disaster Relief shall not exceed $500,000.00 per State declared disaster, or as may be otherwise allowed by the Board. Only one application per affected unit of local government may be submitted for each designated disaster. Public housing authorities (PHA's) and Nonprofit organizations may only act as an Applicant, in lieu of the unit of local government, if they are so designated by the affected unit of local government. Award amount for designated Applicants may not exceed $500,000 per State declared disaster, or as may be otherwise allowed by the Board.

(6) Award amount for CHDO Predevelopment Loans may not exceed $50,000 per application. Applicants may submit only one application per NOFA to cover eligible costs, as defined under §53.54(f) of this rule.

§53.54. Program Activities

(a) Owner-Occupied Housing Assistance: Assisted homeowners must be income eligible and must occupy the property as their principal residence. Housing assisted with HOME funds must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is reconstructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251(a).

(b) Homebuyer Assistance: HOME funds utilized for Homebuyer Assistance are subject to the Department's recapture ~~restrictions~~ provisions as approved by HUD in the Consolidated Plan and as outlined in the application guidelines. The eligible uses for Homebuyer Assistance are down-payment assistance, closing cost assistance, and gap financing~~, and homebuyer counseling~~. The total assistance provided per eligible homebuyer may not exceed the limits as determined or allowed by the Board.

(c) Rental Housing Development: All eligible applicants that satisfy the requirements of §53.52 of this title may develop affordable rental housing. Eligible Activities include acquisition, new construction, and rehabilitation. Owners of rental units assisted with HOME funds must comply with income and rent restrictions pursuant to 24 CFR 92.252 and keep the units affordable for a period of time, depending upon the amount of HOME assistance provided. Housing assisted with HOME funds must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is newly constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251(a).

(d) Tenant-Based Rental Assistance: Provides rental assistance in which the assisted tenant may move from a dwelling unit with a right to continued assistance. Tenant Based Rental Assistance also includes security and utility deposits for rental of dwelling units. Recipients must comply with 24 CFR 92.209 and 92.216.

(e) Single Family Housing Development: Newly constructed housing must meet all applicable codes and standards, as specified in the application guide. In addition, housing that is newly constructed or rehabilitated with HOME funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances in accordance with 24 CFR 92.251(a). ~~An~~ If eligible, an Applicant that applies for Single Family Housing Development may also apply for Homebuyer Assistance.

(f) CHDO Pre-Development Loans: The Department may set-aside up to 10% of the annual CHDO 15% Set-Aside for pre-development loans in accordance with 24 CFR 92.300(c). Applicants for pre-development loans will be required to have a summary description of a proposed Development and be able to show the necessary development experience to apply, as outlined in the NOFA or application materials. Predevelopment loan funds may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money. ~~Funds for pre-development loans are available only when provided in conjunction with a Development application and may only be used for activities such as project-specific technical assistance, site control loans, and project-specific seed money.~~ Pre-development loans must be repaid from construction loan proceeds or other project income. In accordance with 24 CFR 92.301, the ~~Department~~ Board may elect to waive pre-development loan repayment, in whole or in part, if there are impediments to project development that the Department determines are reasonably beyond the control of the CHDO.

(g) Set-Asides: other activities deemed eligible under set-asides defined by the Department and outlined in the Consolidated Plan.

§53.55. Prohibited Activities

In accordance with 24 CFR 92.214, HOME funds may not be used to:

(1) provide a project reserve account for replacements or increases in operating costs, or operating subsidies;

(2) provide TBRA for existing Section 8 Programs;

(3) provide non-federal matching contributions for other programs;

(4) provide assistance to Public Housing Agency owned or leased projects;

(5) carry out Public Housing Modernization;

(6) provide pre-payment of low-income housing mortgages under 24 CFR Part 248;

(7) provide assistance to a project previously assisted with HOME funds during the period of affordability;

(8) provide funds to reimburse an Applicant for acquisition costs for a property already owned by the Applicant, and

(9) pay for any cost that is not eligible under 24 CFR 92.206-92.209.

(10) pay delinquent taxes, fees or charges on properties to be assisted with HOME funds.

§53.56. Distribution of Funds

In accordance with 24 CFR 92.201(b)(1), the Department makes every effort to distribute HOME funds throughout the state according to the Department's assessment of the geographic distribution of housing needs, as identified in the Consolidated Plan. Funds shall also be allocated in accordance with §2306.111(d) and (g), Texas Government Code. The Department receives HOME funds for areas of the state which have not received Participating Jurisdiction (PJ) status from HUD. §2306.111(c) of the Texas Government Code requires the Department to award at least 95% of HOME Program funds to entities in nonparticipating jurisdictions. All funds not set aside under this section ~~may~~ shall be used for the benefit of persons with disabilities who live in areas other than nonparticipating areas.

(1) CHDO Set-Aside. In accordance with 24 CFR 92.300, not less than 15% of the HOME allocation will be set aside by the Department for CHDO eligible activities. CHDO set-aside projects are owned, developed, or sponsored by the CHDO, and result in the development of rental units or homeownership. Development includes projects that have a construction component, either in the form of new construction or the rehabilitation of existing units. If an insufficient number of qualified applications are received by the deadline, the Department reserves the right to hold additional competitions in order to meet federal set-aside requirements.

(2) Special Needs ~~Set-Aside~~. In accordance with the Consolidated Plan, funds will be available to eligible Applicants, as defined in §53.52(a) of this title (relating to Applicant Requirements), with a documented history of working with special needs populations and with relevant housing related experience. Applicants may

submit applications for: Owner-Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance. If an insufficient number of qualified applications are received, the Department reserves the right to transfer funds remaining in accordance with paragraph (6) of this subsection regarding Redistribution.

(3) Other Set-Asides. In accordance with the Consolidated Plan, funds will be available to eligible Applicants, as defined in §53.52(a) of this title (relating to Applicant Requirements), for those eligible activities outlined under Set-Asides.

(4) Administrative Funds. In accordance with 24 CFR 92.207 up to 10% of ~~a PJ's HOME~~the Department's HOME allocation plus 10% of any program income received may be used for eligible and reasonable planning and administrative costs. Administrative and planning costs may be incurred by the Department, ~~PJ,~~ State Recipient, Subrecipient, nonprofit entity, or CHDO.

(5) CHDO Operating Expenses. In accordance with 24 CFR 92.208 up to 5% of ~~a PJ's~~ the Department's HOME allocation may be used for the operating expenses of CHDOs. ~~CHDO Applicants awarded funds for set-aside activities may be eligible for operating expenses.~~ The Department may award CHDO Operating Expenses in conjunction with the award of CHDO Funds, or through a separate application cycle not tied to a specific Activity.

(6) Redistribution. In an effort to commit HOME funds in a timely manner, the Department may reallocate funds set-aside in accordance with the Consolidated Plan, at its own discretion, to other regions or activities if:

(A) the Department fails to receive a sufficient number of applications from a particular region or Activity;

(B) no applications are submitted for a region; or

(C) applications for a region or Activity do not meet eligibility requirements or minimum threshold scores (when applicable), or are financially infeasible as applicable.

(7) Marginal Applications. When the remainder of the allocation within a region is insufficient to completely fund the next ranked application in the region or Activity, it is within the discretion of the Department to:

(A) fund the next ranked application for the partial amount, reducing the scope of the application proportionally;

(B) make necessary adjustments to fully fund the application; or

(C) transfer the remaining funds to other regions or activities.

(8) HOME Demonstration Fund. The Department, with Board approval, may reserve HOME funds to combine and coordinate with other programs administered by the Department as outlined in the Consolidated Plan, or for housing activities the Department is permitted to fund under applicable law.

§53.57. Allocation Plan

The allocation plan created by the Department will be based on the funding allocation outlined in the Department's Consolidated Plan, after a full accounting of available funds has been determined.~~will be based on the funding recommendations in the Consolidated Plan.~~

§53.58. Application Process

(a) An Applicant must submit a completed application to be considered for funding, along with an application fee determined by the Department and outlined in the NOFA. Applications containing false information and applications not received by the deadline will be disqualified. Disqualified Applicants are notified in writing. All applications must be received by the Department by 5:00 p.m. on the date identified in the NOFA, regardless of method of delivery.

(b) Applications received by the Department in response to an Open Application Cycle NOFA will be handled in the following manner.

(1) The Department will accept applications on an ongoing basis, until such date when the Department makes notice to the public that the Open Application Cycle has been closed. All applications must be received during business hours (8:00 a.m. to 5:00 p.m.) on any business day. The Department may limit the eligibility of applications in the NOFA.

(2) Each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a "received date" based on the date and time it is physically received by the Department. Then each application will be reviewed on its own merits in three review phases, as applicable. Applications will continue to be prioritized for funding based on their "received date" unless they do not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over applications that may have an earlier "received date" but that did not timely complete a phase of review.

(A) Phase One will begin as of the received date. Applications not being considered under the CHDO Set-Aside will be passed through to Phase Two upon receipt. Phase One will only entail the review of the CHDO Certification package. The Department will ensure review of these materials and issue notice of any deficiencies on the CHDO Certification package within 30 days of the received date. Applicants who are able to resolve their deficiencies within ten business days will be forwarded into Phase Two and will continue to be prioritized by their received date. Applications with deficiencies not cured within ten business days, will be retained in Phase One until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon satisfaction of all deficiencies will the Application be forwarded to Phase Two. Applications that have not proceeded out of Phase One within 90 days of the received date will be terminated and must reapply for consideration of funds.

(B) Phase Two will include a review of all application requirements. The Department will ensure review of materials required under the NOFA and will issue notice of any deficiencies as to threshold and eligibility within 45 days of the date it enters Phase Two. Applicants who are able to resolve their deficiencies within ten business days will be forwarded into Phase Three and will continue to be prioritized by their received date. Applications with deficiencies not cured within ten business days, will be retained in Phase Two until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon satisfaction of all deficiencies, and of threshold and eligibility requirements will the Application be forwarded to Phase Three. Applications that have not proceeded out of Phase Two within 120 days of the date it entered Phase Two will be terminated and must reapply for consideration of funds. Application submitted for non-development Activities will not go through a Phase Three evaluation.

(C) Phase Three will include a comprehensive review for material noncompliance and financial feasibility by the Department. Financial feasibility reviews will be conducted by the Real Estate Analysis (REA) Division consistent with 10 TAC §1.32, Underwriting Rules and Guidelines. REA will create an underwriting report that identifying staff's recommended loan terms, the loan or grant amount and any conditions to be placed on the development. The Department will ensure financial feasibility review and issue notice of any required deficiencies for that feasibility review within 45 days of the date it enters Phase Three. Applicants who are able to resolve their deficiencies within ten business days will be forwarded into "Recommended Status" and will continue to be prioritized by their received date. Applications with deficiencies not satisfied within ten business days, will be retained in Phase Three until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon resolution of all deficiencies will the Application be forwarded to the Department's Executive Awards Review and Advisory Committee for final approval before recommendation to the Board. Any application that has not finished Phase Three within 120 days of the date it entered Phase Three will be terminated and must reapply for consideration of funds.

(D) Upon completion of the applicable final review Phase, applications will be presented to the Executive Awards Review and Advisory Committee (the Committee). If satisfactory, the Committee will then recommend the award of funds to the Board, as long as HOME funds are still available for this Activity under the applicable NOFA. If the Application is recommended at least 14 days prior to the next Board meeting, it will be placed on the next Board meeting's agenda. If the Application is recommended with less than 14 days before the next Board meeting, the recommendation will be placed on the subsequent months Board meeting agenda. Applications which are not recommended by the committee will be either returned to Department Staff or terminated.

(E) Because applications are processed in the order they are received by the Department, it is possible that the Department will expend all available HOME funds before an application has completed all phases of its review. In the case that all HOME funds are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for 90 days in its current phase. If new HOME funds become available, applications will continue onward with their review without losing their received date priority. If HOME funds do not become available within 90 days of the notification, the Applicant will be notified that their application is no longer under consideration. The applicant must reapply to be considered for future funding. If on the date an application is received by the Department, no funds are available under this NOFA, the applicant will be notified that no funds exist under the NOFA and the application will not be processed.

(F) The Department may decline to fun any application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. The Department is not obligated to proceed with any action pertaining to any applications which are received, and may decide it is in the Department's best interest to refrain from pursuing any selection process. The Department reserves the right to negotiate individual elements of any application.

(c) Administrative Deficiencies. If an application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the application, the Department staff may request clarification or correction of such Administrative Deficiencies including both threshold and/or scoring documentation. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. Administrative Deficiencies given to Applications submitted under an Open Application Cycle NOFA will be handled in the manner described under Part B of this Section. Applications submitted under a Competitive Application Cycle NOFA will be treated in the following manner.

(1) If Administrative Deficiencies are not cured to the satisfaction of the Department within five business days of the deficiency notice date, then five points shall be deducted from the application score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within seven business days from the deficiency notice date, then the application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. An Applicant may not change or supplement an application in any manner after the filing deadline, except in response to a direct request from the Department.

~~(b)Administrative Deficiencies. If an application contains deficiencies which, in the determination of the Department staff, require clarification or correction of~~

~~information submitted at the time of the application, the Department staff may request clarification or correction of such Administrative Deficiencies including both threshold and/or scoring documentation. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within eight business days of the deficiency notice date, then five points shall be deducted from the application score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within ten business days from the deficiency notice date, then the application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. An Applicant may not change or supplement an application in any manner after the filing deadline, except in response to a direct request from the Department.~~

(d) Alternative Dispute Resolution Policy. Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, and Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator (fax: (512) 475-3978). For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 Texas Administrative Code §1.17.

~~(d)In accordance with §2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when,~~

~~where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.~~

§53.59. Process for Awards

(a) The Department will publish a NOFA in the *Texas Register* and on the Department's website. The NOFA may be published as either an Open or Competitive Application Cycle. The NOFA will establish and define the terms and conditions for the submission of applications, and may set a deadline for receiving applications under a Competitive Application Cycle. The NOFA will also indicate the approximate amount of available funds.

~~(a)The Department will publish a NOFA in the Texas Register. The NOFA will establish a deadline for receiving applications and indicate the approximate amount of available funds.~~

(b) Selection Procedures for non-development ~~a~~Activities, such as, Owner Occupied Housing Assistance, Homebuyer Assistance, and Tenant-Based Rental Assistance.

(1) Applications must comply with all applicable HOME requirements or regulations established in 24 CFR Part 92 and in these rules. Applications that do not comply with such requirements are disqualified. Disqualified Applicants are notified in writing.

(2) Applications are ranked from highest scores to lowest in their respective regions or Activity according to HOME Program scores. All funds not subject to the Regional Allocation Formula may be awarded on a first-come, first-serve basis.

(3) Applications must meet or exceed a minimum score determined by Department's staff for ~~that meet or exceed a minimum score, of 60% of~~ as ~~determined by Department's staff, of the total HOME Program score established for~~ the respective activities to be ~~are~~ considered for funding.

(4) In event of a tie between two or more Applicants, the Department, reserves the right to determine which application will receive a recommendation for funding.~~,~~ This decision will be ~~or if all tied Applicants will receive a partial recommendation for funding,~~ based on housing need factors and feasibility of the proposed project identified in the application. Tied Applicants may also receive a recommendation for partial funding,

~~(4)~~(5)

(6) Applicants will be notified of their score in writing no later than seven calendar days after all applications received have been scored. Subsequently, the recommendation regarding their application will be made available on the

Department's website at least 7 calendar days prior to the Board meeting at which the awards may be approved.

~~(5)Applicants will be notified at least 7 calendar days prior to the date of the Board meeting of the status of their application.~~

~~(6)~~(7) Applications receiving a favorable staff recommendation are then presented to the Board for approval, pending the availability of HOME funds for each Activity.

(7) Applicants may appeal staff's decision regarding their applications in accordance with §1.7 of this title.

(c) Selection Procedures for Development activities, such as, Single Family Housing Development and Rental Housing Development.

(1) Applications must comply with all applicable HOME requirements or regulations established in 24 CFR Part 92, and in these rules. Applications that do not comply with HOME requirements are disqualified. Disqualified Applicants are notified in writing.

(2) Rental Housing Developments will undergo a review ~~as follows~~in accordance with the rules set out previously in this section and as prescribed in the NOFA. ~~:~~

~~(A)Threshold Evaluation. Applications submitted for Rental Housing Developments will be required to comply with the threshold criteria required under §50.9(f) of this title, which are those required for the Housing Tax Credit Program.~~

~~(B)Scoring Evaluation. For an application to be scored, the application must demonstrate that the Development meets all of the Threshold Criteria requirements. Applications that satisfy the Threshold Criteria will then be scored and ranked according to the scoring criteria identified in the NOFA.~~

~~(C)~~(A) ~~Financial Feasibility Evaluation. After the application is scored, the Department will assign, as herein described, Developments for review for financial feasibility by the Department's Real Estate Analysis Division consistent with §53.56 of this title. The Department shall underwrite an application to determine the financial feasibility of the Development and an appropriate funding amount and terms. In making this determination, the Department will use the Underwriting Rules and Guidelines, §1.32 of this title.~~

(3) Single Family Housing Developments will undergo a review as follows:

(A) ~~For applications~~ Applicants that meet or exceed a minimum score, ~~of 60% of~~ as determined by Department's staff, of the total HOME Program scoring points established for each Development Activity to be ~~are~~ considered for funding. Applicants not meeting or exceeding the minimum score established in the subparagraph of this paragraph are disqualified and are notified in writing. Development applications are ranked from highest to lowest scores according to HOME Program scores on a statewide basis.

(B) Applications meeting the HOME Program requirements established in subparagraph (A) of this paragraph must receive an underwriting analysis by the Department.

(4) A site visit will be conducted as part of the HOME Program Development feasibility review. Applicants must receive recommendation for approval from the Department to be considered for HOME funding by the Board.

(5) ~~In event of a tie between two or more Applicants, the Department reserves the right to determine which application will receive a recommendation for funding, or if all tied Applicants will receive a partial recommendation for funding, based on housing need factors and feasibility of the proposed project identified in the application.~~In event of a tie between two or more Applicants, the Department reserves the right to determine which application will receive a recommendation for funding. This decision will be based on housing need factors and feasibility of the proposed project identified in the application. Tied Applicants may also receive a partial recommendation for funding,

~~(5)~~(6)

~~(6)~~(7) Each Development application will be notified of its score in writing no later than seven calendar days after all applications received have been scored. Subsequently, the recommendation regarding their application will be made available on the Department's web site at least 7 calendar days prior to the Board meeting at which the awards ~~will~~may be approved.

~~(7)~~(8) Applications receiving a favorable staff recommendation are then presented to the Board for approval, pending the availability of HOME funds for such Activity.

~~(8)~~(9) Even after, Board approval for the award of HOME Development Activity funds ~~is~~ may be conditional upon a completed loan closing and any other conditions deemed necessary by the Department.

~~(9)~~(10) Applicants may appeal staff's decision regarding their applications in accordance with §1.7 of this title.

§53.60. General Selection Criteria

At a minimum, the following criteria are utilized in evaluating the applications for HOME funds. The applicable criteria are further delineated in the application guidelines and NOFA, which are part of the application package.

(1) Needs Assessment--Whether the proposed project meets the demographic, economic, and special need characteristics of the population residing in the target area and the need that the HOME program is designed to address, using qualitative and quantitative information, market studies, if appropriate, and other source documentation as delineated in the application guidelines, which are part of the application.

(2) Program Design--Whether the proposed project meets the needs identified in the needs assessment, whether the design is complete~~ (including timeline for program implementation and service delivery),~~ and whether the project fits within the community setting. Information required includes, but is not limited to: community involvement; support services and resources; scope of program; income and population targeting; marketing, fair housing and relocation plans, as applicable.

(3) Capability of Applicant--Whether the Applicant has the capacity to administer and manage the proposed program/project, demonstrated through previous experience either by the Applicant, cooperating entity or key staff (including other contracted service providers), in program management, property management, acquisition, rehabilitation, construction, real estate finance counseling and training or other activities relevant to the proposed program, and the extent to which Applicant has the capability to manage financial resources, as evidenced by previous experience, documentation of the Applicant or key staff, and existing financial control procedures.

(4) Financial Feasibility. Applications for funding will be reviewed for financial feasibility based on the Department's underwriting standards for development activities and as outlined in the NOFA or application materials for non-development activities. The review will be based on the supporting financial data provided by Applicants and third party reports submitted with the application.

~~(4)Financial Design--Whether the proposed program budget includes eligible forms of matching contributions in accordance with 24 CFR 92.220, as may be amended.~~

§53.61. Program Administration

(a) Agreement. Upon approval by the Board, Applicants receiving HOME funds shall enter into, execute, and deliver to the Department all written agreements between the Department and Recipient, including land use restriction agreements and compliance agreements as required by the Department.

(b) Amendments. The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to any HOME written agreement provided that:

(1) in the case of a modification or amendment to the dollar amount of the award, such modification or amendment does not increase the dollar amount by more than 25% of the original award or $50,000, whichever is greater; and

(2) in the case of all other modifications or amendments, such modification or amendment does not, in the estimation of the Executive Director, significantly decrease the benefits to be received by the Department as a result of the award.

(3) Modifications and/or amendments that increase the dollar amount by more than 25% of the original award or $50,000, whichever is greater; or significantly

decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.

(c) Deobligation.

(1) The Department reserves the right to deobligate funds in the following situations:

(A) Recipient has any unresolved compliance issues on existing or prior contracts with the Department.

(B) Recipient fails to set-up programs/projects or expend funds in a timely manner.

(C) Recipient defaults on any agreement by and between Recipient and the Department.

(D) Recipient misrepresents any facts to the Department during the HOME application process, award of contracts, or administration of any HOME contract.

(E) Recipient's inability to provide adequate financial support to administer the HOME contract or withdrawal of significant financial support.

(F) Recipient is not in compliance with 24 CFR Part 92, or these rules.

(G) Recipient declines funds.

(H) Recipient fails to expend all funds awarded.

(2) The Department, with approval of the Board, may elect to reassign funds following the Deobligation Policy, adopted by the Board on January 17, 2002, in the order prioritized as follows:

(A) Successful appeals (as allowable under program rules and regulations), or

(B) Disaster Relief (disaster declarations or documented extenuating circumstances such as imminent threat to health and safety), or

(C) Special Needs, or

(D) Colonias, or

(E) Other projects/uses as determined by the Executive Director and/or Board including the next year's funding cycle for each respective program.

(d) Waiver. The Board, in its discretion and within the limits of federal and state law, may waive any one or more of these Rules if the Board finds that waiver is appropriate to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for other good cause, as determined by the Board.

~~(d)Waiver. Upon determination of good cause, the Department, upon approval of the Board, may waive all or any part of these rules that are within the discretion of the State.~~

(e) Additional Funds. In the event the Department receives additional funds from HUD, the Department, with Board approval, may elect to distribute funds to other Recipients.

(f) Accounting Requirements. Within 60 days following the conclusion of a contract issued by the Department the recipient shall provide a full accounting of funds expended under the terms of the contract. Failure of a recipient to provide full accounting of funds expended under the terms of a contract shall be sufficient reason to terminate the contract and for the Department to deny any future contract to the recipient.

§53.62. Community Housing Development Organization (CHDO) Certification

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

(1) Applicant--A private nonprofit organization that has submitted a request for certification as a Community Housing Development Organization (CHDO) to the Department. An Applicant for the CHDO set aside must be a CHDO certified by the Department or as otherwise certified or designated as described in subsection (d) of this section.

(2) Articles of Incorporation--A document that sets forth the basic terms of a corporation's existence and is the official recognition of the corporation's existence. The documents must evidence that they have been filed with the Secretary of State.

(3) Bylaws--A rule or administrative provision adopted by a corporation for its internal governance. Bylaws are enacted apart from the articles of incorporation. Bylaws and amendments to bylaws must be formally adopted in the manner prescribed by the organization's articles or current bylaws by either the organization's board of directors or the organization's members, whoever has the authority to adopt and amend bylaws.

(4) Community--For urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area, but not the whole state.

(5) Low income --An annual income that does not exceed eighty percent (80%) of the median income for the area, with adjustments for family size, as defined by the U.S. Department of Housing and Urban Development (HUD).

(6) Memorandum of Understanding (MOU)--A written statement detailing the understanding between parties.

(7) Neighborhood--A geographic location designated in comprehensive plans, ordinances, or other local documents as a neighborhood, village, or similar geographical designation that is within the boundary but does not encompass the entire area of a unit of general local government; except that if the unit of general local government has a population under 25,000, the neighborhood may, but need not, encompass the entire area of a unit of general local government.

(8) Nonprofit organization--Any private, nonprofit organization (including a State or locally chartered, nonprofit organization) that:

(A) is organized under State or local laws,

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual,

(C) complies with standards of financial accountability acceptable to the Secretary of the United States Department of Housing and Urban Development, and

(D) has among its purposes significant activities related to the provision of decent housing that is affordable to low-income and moderate-income persons.

(9) Resolutions--Formal action by a corporate board of directors or other corporate body authorizing a particular act, transaction, or appointment. Resolutions must be in writing and state the specific action that was approved and adopted, the date the action was approved and adopted, and the signature of person or persons authorized to sign resolutions. Resolutions must be approved and adopted in accordance with the corporate bylaws.

~~(b)~~(A) Application Procedures for Certification of CHDO. An Applicant requesting certification as a CHDO must submit an application for CHDO certification in a form prescribed by the Department. The CHDO application must be submitted with an application for HOME funding under the CHDO set ~~aside.~~ aside, and be recertified on an annual basis. The application must include documentation evidencing the requirements of this subsection.

~~(1)~~(10) An Applicant must have the following required legal status at the time of application to apply for certification as a CHDO:

(A) Organized as a private nonprofit organization under the Texas Nonprofit Corporation Act or other state not-for-profit/nonprofit statute as evidenced by:

(i) Charter, or

(ii) Articles of Incorporation.

(B) The Applicant must be registered with the Secretary of State to do business in the State of Texas.

(C) No part of the private nonprofit organization's net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:

(i) Charter, or

(ii) Articles of Incorporation.

(D) The Applicant must have the following tax status:

(i) A current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, or Section 501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective while certified as a CHDO; or

(ii) Classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(iii) A private nonprofit organization's pending application for 501(c)(3) or (c)(4) status cannot be used to comply with the tax status requirement under this subparagraph.

(E) The Applicant must have among its purposes the provision of decent housing that is affordable to low and moderate income people as evidenced by a statement in the organization's:

(i) Articles of Incorporation,

(ii) Charter,

(iii) Resolutions, or

(iv) Bylaws.

(F) The Applicant must have a clearly defined service area. The Applicant may include as its service area an entire community as defined in subsection (a)(4) of this section, but not the whole state. Private nonprofit organizations serving special populations must also define the geographic boundaries of its service areas. This subparagraph does not require a private nonprofit organization to represent only a single neighborhood.

~~(2)~~(11) An Applicant must have the following capacity and experience:

(A) Conforms to the financial accountability standards of 24 CFR 84.21, "Standards of Financial Management Systems" as evidenced by:

(i) notarized statement by the Executive Director or chief financial officer of the organization in a form prescribed by the Department,

(ii) certification from a Certified Public Accountant, or

(iii) HUD approved audit summary.

(B) Has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by:

(i) resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds, or

(ii) contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.

(C) Has a history of serving the community within which housing to be assisted with HOME funds is to be located as evidenced by:

(i) statement that documents at least one year of experience in serving the community, or

(ii) for newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community; and

(iii) The CHDO or its parent organization must be able to show one year of serving the community prior to the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as, developing new housing, rehabilitating existing stock and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president or other official of the organization.

~~(3)~~(12) An Applicant must have the following organizational structure:

(A) The Applicant must maintain at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations in the Applicant's service area. Low-income neighborhoods are defined as neighborhoods where 51 percent or more of the residents are low-income. Residents of low-income neighborhoods do not have to be low income individuals themselves. If a low-income individual does not live in a low-income neighborhood as herein defined, the low-income individual must certify that he qualifies as a low-income individual. This certification is in addition to the affidavit required in clause (ii) of this subparagraph. For the purpose of this subparagraph, elected representatives of low-income neighborhood organizations include block groups, town watch organizations, civic associations, neighborhood church groups, Neighbor Works organizations and any organization composed primarily of residents of a low-income neighborhood as herein defined whose primary purpose is to serve the interest of the neighborhood residents. Compliance with this subparagraph shall be evidenced by:

(i) written provision or statement in the organizations By-laws, Charter or Articles of Incorporation,

(ii) affidavit in a form prescribed by the Department signed by the organization's Executive Director and notarized, and

(iii) current roster of all Board of Directors, including names and mailing addresses. The required one-third low-income residents or elected representatives must be marked on list as such.

(B) The Applicant must provide a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects. The formal process should include a system for community involvement in parts of the private nonprofit organization's service areas where housing will be developed, but which are not represented on its boards. Input from the low-income community is not met solely by having low-income representation on the board. The formal process must be in writing and approved or adopted by the private nonprofit organization, as evidenced by:

(i) organization's By-laws,

(ii) Resolution, or

(iii) written statement of operating procedures approved by the governing body. Statement must be original letterhead, signed by the Executive Director and evidence date of board approval.

(C) A local or state government and/or public agency cannot qualify as a CHDO, but may sponsor the creation of a CHDO. A private nonprofit organization may be chartered by a State or local government, but the following restrictions apply:

(i) The state or local government may not appoint more than one-third of the membership of the organization's governing body.

(ii) The board members appointed by the state or local government may not, in turn, appoint the remaining two-thirds of the board members.

(iii) No more than one-third of the governing board members may be public officials. Public officials include elected officials, appointed public officials, employees of the participating jurisdiction, or employees of the sponsoring state or local government, and individuals appointed by a public official. Elected officials include, but are not limited to, state legislators or any other statewide elected officials. Appointed public officials include, but are not limited to, members of any regulatory and/or advisory boards or commissions that are appointed by a State official.

~~(iii)No more than one-third of the governing board members may be public officials. Public officials include elected officials, appointed public officials, public employees, and individuals appointed by a public official. Elected officials include, but are not limited to, state legislators or any other statewide elected officials. Appointed public officials include, but are not limited to, members of any regulatory and/or advisory boards or commissions that are appointed by a State official. Public employees include, but are not limited to, employees of State governmental entities or departments of State government.~~

(iv) Public officials who themselves are low-income residents or representatives do not count toward the one-third minimum requirement of community representatives in subparagraph (A) of this paragraph.

(v) Compliance with clauses (i)-(iv) of this subparagraph shall be evidenced by:

(I) organization's By-laws,

(II) Charter, or

(III) Articles of Incorporation.

(D) If the Applicant is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the Applicant's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the Applicant's:

(i) By-laws,

(ii) Charter, or

(iii) Articles of Incorporation.

(E) An Applicant may be sponsored or created by a for-profit entity provided the for-profit entity's primary purpose does not include the development or management of housing, as evidenced in the for-profit organization's By-laws. If an Applicant is associated or has a relationship with a for-profit entity or entities, the Applicant must prove it is not controlled, nor receives directions from individuals, or entities seeking profit as evidenced by:

(i) organization's By-laws, or

(ii) Memorandum of Understanding (MOU).

~~(4)~~(13) Religious organizations cannot qualify as a CHDO, but may sponsor the creation of wholly secular private nonprofit organizations. If Applicant is sponsored by a religious organization, the following restrictions apply.

(A) The Applicant must prove that it is not controlled by the religious organization.

(B) The developed housing must be used exclusively for secular purposes and the housing owned, developed or sponsored by the Applicant must be made available to all persons regardless of religious affiliations or beliefs.

(C) There are no limits on the proportion of the board that may be appointed by the religious organization.

(D) Compliance with these clauses (i)-(iii) of this subparagraph shall be evidenced by:

(i) organization's By-laws,

(ii) Charter, or

(iii) Articles of Incorporation.

~~(c)~~(b) An application for Community Housing Development Organization (CHDO) Certification will only be accepted if submitted with an application to the Department for HOME funds. If all requirements under this section are met, the Applicant will be certified as a CHDO upon the award of HOME funds by the Department. A new application for CHDO certification must be submitted to the Department with each new application for HOME funds under the CHDO set aside.

~~(d)~~(c) If an Applicant submits an application for CHDO certification for a service area that is located in a local Participating Jurisdiction, the Applicant must submit evidence of the local taxing jurisdiction or local Participating Jurisdiction certification or designation of the Applicant as a CHDO.

(d) In the case of an Applicant applying for HOME funds (See 5% Disability requirement at §53.56 of this Title) from the Department to be used in a Participating Jurisdiction, where neither the Participating Jurisdiction nor the local taxing entity certifies CHDOs outside of the local HOME application process, the Certification process described in this section applies.

~~(e)In the case of an Applicant applying for HOME funds (CHDO set-aside) from the Department to be used in a Participating Jurisdiction, where neither the Participating Jurisdiction nor the local taxing entity certifies CHDOs outside of the local HOME application process, the Certification process described in this section applies.~~

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 9, 2004

Action Items

Request approval of the proposed amended 2005 Housing Trust Fund Rules to be released in draft form for public comment.

Required Action

Approve the proposed amended Housing Trust Fund Rules for release as a draft.

Background and Recommendations

Attached are the proposed amended 2005 Draft Housing Trust Fund Rules that reflect comments provided through a roundtable discussion open to the public on July 12, 2004, written public input, and staff's recommendations for revisions. The document provided reflects the proposed amendments in "black line" version showing the proposed changes from the Housing Trust Fund Rules currently in effect which were last amended by the Board on April 14, 2003. The "black line" version shows new language as underlined and deleted language with a line running through it. Upon approval by the Board, the amended Draft Rules will be published in the *Texas Register* and released to the public for comment. Public hearings will be held on the proposed amended Draft Rules, as well as the other rules before the Board at this meeting, from approximately September 27 to October 8, 2004. The final rule will come before the Board in November 2004.

The primary changes that are proposed are to ensure consistency with Texas Government Code, provide the Department with the ability to use an Open Application Cycle to award funding and add language that ensures consistency with other multifamily rules to the extent that Housing Trust Fund will be used for multifamily development.

Summary of Amendments

- Elimination of the definition of Affordable Housing. The definition was found to be inconsistent with other Department rules and unnecessary. (§51.3)

- Added definitions for both Competitive and Open application cycles to the rules. The purpose of these changes was to clarify differences in the two processes. (§51.3)

- Clarification and elaboration to the definition of Non-Profit to be consistent with HUD and other Department rules. (§51.3)

- Clarification regarding the displacement of persons with low-incomes in HTF development programs. (§51.6[a])

- Clarification of the Department's rules regarding Ineligible Applicants to be consistent with other Department rules. (§51.6[d])

- Linked rental housing site and development restrictions to other Department rules to eliminate possible differences. (§51.6[g])

- Change in limitations on development size to allow for a maximum development of 252 units and a minimum of 4 units. This change is consistent with other Department programs. (§51.6[h])

- Description of the application review process for Open Cycles. (§51.7[c])

- Clarification of handling Administrative Deficiencies for open and competitive cycles. (§51.8[d])

- Update to definition of Alternative Dispute Resolution process. (51.7[i])

- Clarification of rules governing the Executive Director's powers to make amendments and modifications to contract awards to be in line with other Department rules. (§51.8[d])

- Addition of a $25.00 compliance fee to HTF funded units. (§51.9[d][4])

- Addition of Accounting Requirements under Other Program Requirements section. (§51.9[f])

Additional minor modifications were made to align the proposed rules with either federal or state legislative language.

Summary of 2005 HTF Rule Roundtable

The 2005 HTF Roundtable, held on July 12, 2004, was attended by five participants representing developers, consultants, and financial institutions. Department staff opened the meeting with introductions of staff members and a brief description of staff's proposed changes to the rule. The floor was then opened up for comments and questions by participants. Here is a list of some of the comments that were provided to us by participants relating to the HOME Rules.

- The cost of environmental studies, market studies and other program requirements may hinder the involvement of smaller nonprofits and developers in the program.
- Limits on maximum subsidy reduce the benefit and attractiveness of HTF funds.
- Current predevelopment loan contracts do not permit forgiveness of loans.
- The regional allocation formula limits the benefit to each service region when funding levels are so low.
- Allow for single-family homeownership to be an eligible activity.
- Capacity Building grants and Predevelopment loans may be a better use of funds, especially if Development Funds will be limited in the future.

Analysis of HTF/HTC Joint Awards (2000 to 2004)

At the request of the Board, Staff has prepared the following analysis of rental housing development awards related to joint applications to Housing Trust Fund (HTF) and the Housing Tax Credit (HTC) program for the years 2000 to 2004. In reviewing the data available Staff found several trends and highlights.

- ∉ The average subsidy per unit decreased from 2000 to 2003, and increased in 2004.
- ∉ The median subsidy per unit decreased from 200 to 2003, and increased in 2003 & 2004.
- ∉ The percentage of HTF funds to total development cost decreased from 2000 to 2003, and increased in 2004.
- ∉ The median percentage of HTF funds to total development cost decreased from 2000 to 2002, and increased in 2003 & 2004.
- ∉ The trends in per unit subsidy and percentage of HTF to total development costs do not appear related to funding levels.
- ∉ The total number of HTF/HTC joint applications was significantly higher for the years 2001 to 2003.

While the highlights presented above are critical to developing an understanding of the relationship and use of the Housing Trust Fund in tax credit developments, it is difficult to make any significant conclusions. Staff has discussed these numbers and feels that additional information is necessary to complete a full analysis. This information would include a review of the QAP rules and scoring criteria that may have influenced funding requests, information from applicants regarding access to other sources of financing, the impact of the regional allocation formula on funding requests and the disbursement of funding across the state, and finally a review and comparison of contract performance between all HTF development awards. To conduct a proper analysis of HTF development funds staff would require a significant amount of time to fully analyze the programs historical trends and to collect sufficient data from previous resources to conduct its analysis.

Data used for this report is included on the following pages.

Data Analysis

	2000	2001	2002	2003	2004
NOFA Amount	$3,372,000	$4,941,858	$4,951,977	$3,726,007	$2,000,000
Percent change in funding		46.56%	0.20%	-24.76%	-46.32%
Total HTF/HTC Awards	1	9	11	10	2
Total Units Produced	160	1121	1380	1606	214
Average subsidy per Unit	$3,728	$2,748	$1,902	$1,898	$3,146
Median subsidy per unit	$3,728	$2,881	$1,223	$1,875	$3,019
Percentage of HTF funds to total	4.88%	3.38%	2.63%	2.56%	3.88%
Median percentage of HTF funds to total	4.88%	3.26%	1.64%	2.49%	3.77%

NAME OF AWARDEE	FY OF AWARD	ACTIVITY	ORGANIZATION TYPE	PROJECT COUNTY	CHAS REGION	PROJECT CITY	BOARD AWARD AMOUNT	BOARD TOTAL UNITS	TOTAL DEVELOPMENT COSTS	AVERAGE SUBSIDY PER UNIT	PERCENTAGE OF HTF FUNDS IN TOTAL DEVELOPMENT COSTS
2000											
Central Texas/SWA Mutual Housing Corporation	2000	New Construction	CHDO	Travis	7	Austin	$ 596,506	160	$ 12,225,165	$ 3,728	4.88%
Totals							$ 596,506	160	$ 12,225,165	$ 3,728	4.88%
2001											
Deen-Fort Worth Associates, LP	2001	New Construction	For-Profit	Tarrant	3	Fort Worth	$ 350,000	121	$ 17,065,917	$ 2,893	2.05%
Bunker Senior Village LP	2001	New Construction	For-Profit	Erath	3	Stephenville	$ 526,000	44	$ 2,595,282	$ 11,955	20.27%
Park Row Apartments LP	2001	New Construction	For-Profit	Harris	6	Houston	$ 300,000	248	$ 17,627,425	$ 1,210	1.70%
Houston Bellfort Pines Apartments LP	2001	New Construction	For-Profit	Houston	6	Houston	$ 120,000	248	$ 16,557,437	$ 484	0.72%
Georgetown Place LTD	2001	New Construction	For-Profit	Williamson	7	Georgetown	$ 507,000	176	$ 15,260,930	$ 2,881	3.32%
Heatherwilde Park Limited Partnership	2001	New Construction	For-Profit	Travis	7	Pflugerville	$ 350,000	128	$ 10,741,097	$ 2,734	3.26%
Llano DMA Housing LP	2001	New Construction	For-Profit	Llano	7	Llano	$ 350,000	48	$ 3,081,366	$ 7,292	11.36%
DF Sagebrush Apartments LP	2001	New Construction	For-Profit	McCullough	9	Brady	$ 127,500	60	$ 4,166,099	$ 2,125	3.06%
TownePark Fredericksburg Housing Partners, Ltd	2001	New Construction	For-Profit	Gillespie	8A	Fredericksburg	$ 450,000	48	$ 3,932,816	$ 9,375	11.44%
Totals							$ 3,080,500	1121	$ 91,028,369	$ 2,748	3.38%
2002											
Augusta Hills, LP	2002	New Construction	For-Profit	Erath	3	Stephenville	$ 456,000	76	$ 6,895,229	$ 6,000	6.61%
Paris Retirement Village, Ltd.	2002	New Construction	For-Profit	Lamar	4	Paris	$ 45,000	76	$ 4,025,701	$ 592	1.12%
The Greens on Turtle Creek, LTD	2002	New Construction	For-Profit	Jefferson	5	Port Arthur	$ 350,000	84	$ 6,650,205	$ 4,167	5.26%
Fountains at Tidwell, Ltd.	2002	New Construction	For-Profit	Harris	6	Houston	$ 225,000	188	$ 14,656,784	$ 1,197	1.54%
Houston Copperwood Apartments, LP	2002	New Construction	Non-Profit	Harris	6	Houston	$ 350,000	280	$ 19,962,092	$ 1,250	1.75%
Housing Associates of Kyle, Ltd.	2002	New Construction	For-Profit	Hays	7	Kyle	$ 30,000	104	$ 7,618,219	$ 288	0.39%
Grove Place Partners, Ltd.	2002	New Construction	Non-Profit	Travis	7	Austin	$ 100,000	184	$ 13,952,080	$ 543	0.72%
National Church Residences of Seguin	2002	New Construction	Non-Profit	Guadalupe	8A	Seguin	$ 350,000	60	$ 4,317,355	$ 5,833	8.11%
Boerne Park Meadows Apartments, LP	2002	New Construction	For-Profit	Kendall	8A	Boerne	$ 375,000	100	$ 7,466,457	$ 3,750	5.02%
Community Retirement Center Aransas Pass, L.P	2002	New Construction	For-Profit	San Patricio	8B	Aransas Pass	$ 58,900	76	$ 4,522,104	$ 775	1.30%
Affordable Housing of Kingsville II, Ltd.	2002	New Construction	For-Profit	Kleberg	8B	Kingsville	$ 110,000	120	$ 7,315,614	$ 917	1.50%
DMA Community Partners II, Inc.(Refugio DMA Housing, L.P.)	2002	New Construction	For-Profit	Refugio	8B	Refugio	$ 175,000	32	$ 2,421,811	$ 5,469	7.23%
Totals							$ 2,624,900	1380	$ 99,803,651	$ 1,902	2.63%
2003											
EM Texas, Inc.	2003	New Construction	For-Profit	Taylor	2	Abilene	$ 375,000	64	$ 5,341,804	$ 5,859	7.02%
DF Cedar View Apartments, LP	2003	New Construction	For-Profit	Palo Pinto	3	Mineral Wells	$ 140,000	72	$ 5,632,693	$ 1,944	2.49%
Churchill at Longview, LP - **RETURNED AWARD**	2003	New Construction	For-Profit	Gregg	4	Longview	$ 350,000	160	$ 12,435,000	$ 2,188	2.81%
Crockett Cole Creek Apartments, LP	2003	New Construction	For-Profit	Houston	5	Crockett	$ 50,000	64	$ 5,115,803	$ 781	0.98%
Reading Road Apartments, LP	2003	New Construction	For-Profit	Fort Bend	6	Rosenberg	$ 350,000	252	$ 19,647,536	$ 1,389	1.78%
Villas of Park Grove, Ltd. - **RETURNED AWARD**	2003	New Construction	For-Profit	Harris	6	Katy	$ 93,757	150	$ 10,689,127	$ 625	0.88%
The Peninsula Apartments, LP - **RETURNED AWARD**	2003	New Construction	For-Profit	Harris	6	Houston	$ 525,000	280	$ 19,963,632	$ 1,875	2.63%
Killeen Stone Ranch Apartments, LP	2003	New Construction	For-Profit	Bell	8	Killeen	$ 136,000	152	$ 9,204,970	$ 895	1.48%
Hanbeck, Ltd.	2003	New Construction	For-Profit	Medina	9	Hondo	$ 329,000	76	$ 6,112,030	$ 4,329	5.38%
Alamo Area Mutual Housing Association	2003	New Construction	Non-Profit	Bexar	9	San Antonio	$ 525,000	208	$ 16,043,698	$ 2,524	3.27%
Housing Associates of Brownsville, Ltd.	2003	New Construction	For-Profit	Cameron	11	Brownsville	$ 175,000	128	$ 8,779,421	$ 1,367	1.99%
Totals							$ 3,048,757	1606	$ 118,965,714	$ 1,898	2.56%
2004											
Texas City DMA Housing, L.P.	2004	New Construction	For-Profit	Galveston	6	Texas City	$ 200,000	90	$ 7,867,508	$ 2,222	2.54%
Marble Falls Vistas, L.P.	2004	New Construction	For-Profit	Burnet	7	Marble Falls	$ 473,235	124	$ 9,464,702	$ 3,816	5.00%
Totals							$ 673,235	214	$ 17,332,210	$ 3,146	3.88%
TOTALS							$ 19,374,561	8,748	$ 661,378,008	$ 2,215	2.93%

2005 **HOUSING TRUST FUND RULES**

TITLE 10, PART 1, CHAPTER 51 TEXAS ADMINISTRATIVE CODE

§51.1. Purpose.

This Chapter clarifies the use and administration of the Housing Trust Fund. The fund is created pursuant to Texas Government Code 2306.201.

§51.2. Program Goals and Objectives.

Use of the Housing Trust Fund is limited to providing:

(1) assistance for individuals and families of low, very low income and extremely low income;

(2) technical assistance and capacity building to nonprofit organizations engaged in developing housing for individuals and families of low, very low income and extremely low income; and

(3) security for repayment of revenue bonds issued to finance housing for individuals and families of low, very low income and extremely low income.

§51.3. Definitions.

The following words and terms, when used in this part, shall have the following meanings, unless the context clearly indicates otherwise.

(1) Administrative Deficiencies-- The absence of information or a document from the Application which is important to a review and scoring of the Application as required in this rule.

~~(2)Affordable Housing--Housing for which low, very low, and extremely low income families are not required to pay more than 30% of an area's median income.~~

~~(3)~~(2) Applicant -- An eligible entity which is preparing to submit or has submitted an application for Housing Trust Fund assistance and is assuming contractual liability and legal responsibility by executing the written agreement with the Department.

~~(4)~~(3) Board--The governing board of the Department.

~~(5)~~(4) Capacity Building--Educational and organizational support assistance to promote the ability of community housing development organizations and nonprofit organizations to maintain, rehabilitate and construct housing for low, very low, and extremely low income persons and families. This activity may include but is not limited to:

(A) organizational support to cover expenses for housing development or management related training, technical and other assistance to the board of directors, staff, and members of the nonprofit organizations or community housing development organizations;

(B) technical assistance and training related to housing development, housing management, or other subjects related to the provision of housing or housing services; or

(C) studies and analyses of housing needs.

~~(6)~~(5) Community Housing Development Organizations-- A nonprofit organization that satisfies the requirements of Section 53.63 of this title.

(6) Competitive Application Cycle-- A Notice of Funding Availability that has a fixed deadline by which applications must be submitted. Applications will be reviewed for threshold and scoring criteria in accordance with the rules for application review published in the Notice of Funding Availability (NOFA). ~~NOFA~~

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

(8) Eligible Applicants--Local units of government, public housing authorities, community housing development organizations, nonprofit organizations, for profit entities, and persons and families of low, very low, and extremely low income.

(9) Extremely Low Income-- Families whose annual incomes do not exceed 30% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size. ~~In accordance with Rider 3, and published by the Department, those counties where the median family income is lower than the state average median family income, applicants targeting households at or below 30% of the median income of the area may use the average state median family income based on number of persons in a household.~~

(10) Housing Development Costs-- The total of all costs incurred, or to be incurred, by the Development Owner in acquiring, constructing, rehabilitating and financing a Development as determined by the Department based on the information contained in the Applicant's application. Such costs include reserves and any expenses attributable to commercial areas.

(11) Housing Development--Any real or personal property, project, building, structure, facilities, work, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, which meets or is designed to meet minimum property standards consistent with those prescribed in the Housing Trust Fund Property Standards, found in the Program Guidelines, for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by persons and families of low, very low, and extremely low income, and persons with special needs. The term may include buildings, structures, land, equipment, facilities, or other real or personal properties which are necessary, convenient, or desirable appurtenances, such as but not limited to streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances.

(12) HUD—The United States Department of Housing and Urban Development, or its successor.

(13) Local Units of Government--A county; an incorporated municipality; a special district; a council of governments; any other legally constituted political subdivision of the state; a public, nonprofit housing finance corporation created under the Local Government Code, Chapter 394; or a combination of any of the entities described here.

(14) Low Income Persons and Families-- Families whose annual incomes do not exceed 80% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

(15) Nonprofit Organization--Any public or private, nonprofit organization that:

(A) is organized under state or local laws;

(B) has no part of its net earnings inuring to the benefit of any member, founder, contributor, or individual; and

(C) has a current tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3), a charitable, nonprofit corporation, or Section 501(c)(4), a community or civic organization, of the Internal Revenue Code of 1986, as evidenced by a certificate from the IRS that is dated 1986 or later. The exemption ruling must be effective on the date of the application and must continue to be effective throughout the length of any contract agreements; or classification as a subordinate of a central organization non-profit under the Internal Revenue Code, as evidenced by a current group exemption letter, that is dated 1986 or later, from the IRS that includes the Applicant. The group exemption letter must specifically list the Applicant; and

(D) A private nonprofit organization's pending application for 501(c)(3) or (c)(4) status cannot be used to comply with the tax status requirement.

~~(B)has a tax exemption ruling from the Internal Revenue Service under the Internal Revenue Code of 1986, Section 501(c)3 or (c)4, as amended.~~

(16) NOFA—Notice of Funding Availability, published in the Texas Register.

(17) Open Application Cycle—A Notice of Funding Availability that does not have a fixed deadline by which applications must be submitted. Applications will be reviewed in accordance with the rules for application review published in the NOFA.

~~(17)~~(18) Person with Special Needs-

(A) persons with disabilities, persons with alcohol or other drug addictions, persons with HIV/AIDS and their families, the elderly, victims of domestic violence, persons living in Colonias, and migrant farm workers, any of whom also meets the income guidelines of a person of low, very low or extremely low income.

(B) Housing Trust Funds may also be awarded through persons legally responsible for caring for an individual described by subparagraph (A.)

~~(A)any persons legally responsible for caring for an individual described by subparagraph (A) and meets the income guidelines of a person of low, very low or extremely low income.~~

~~(18)~~(19) Public Agency—A branch of National, State or Local Government.

~~(19)~~(20) Public Housing Authority--A housing authority established under the Texas Local Government Code, Chapter 392.

~~(20)~~(21) Recipient--Community housing development organization, nonprofit organization, for profit entity, local unit of government, or public housing authority that is approved by the Department to receive and administer housing trust funds in accordance with these rules.

~~(21)~~(22) Rental Housing Development--A project for the acquisition, new construction, reconstruction or rehabilitation of multi-family or single family rental housing, or conversion of commercial property to rental housing.

~~(22)~~(23) Rural Project-- An area that is located:

(A) outside the boundaries of a PMSA or MSA; or

(B) within the boundaries of a PMSA or MSA area, if the statistical area has a population of not more than 20,000, and does not share boundaries with an urbanized area; or

(C) in an area that is eligible for new construction or rehabilitation funding by TX-USDA-RHS.

~~(23)~~(24) State--The State of Texas.

~~(24)~~(25) Statute--Texas Government Code 2306.

~~(25)~~(26) Very low Income Persons and Families-- Families whose annual incomes do not exceed 60% of the median income of the area, as determined by HUD and published by the Department, with adjustments for family size.

§51.4. Allocation of Housing Trust Funds.

(a) Funds shall be allocated to achieve broad geographic dispersion by awarding funds in accordance with Section 2306.111(d) ~~through~~ and (g), Texas Government Code.

(b) The Department shall utilize its best efforts to target housing trust funds allocated each fiscal year to housing assistance for individuals and families earning less than 60% of median family income.

(c) Bond indenture requirements governing expenditure of bond proceeds deposited in the housing trust fund shall govern and prevail over all other allocation requirements established in this section. However, the Department shall distribute these funds in accordance with the requirements of this section to the extent possible.

§51.5. Basic Eligible Activities.

The Department shall make grants and loans from the Housing Trust Fund to Eligible Applicants for purposes consistent with Section 51.2 of this title and Section 2306.202 of Texas Government Code.

§51.6. Ineligible Activities and Restrictions.

(a) Displacement of Existing Affordable Housing. Housing Trust Funds shall not be utilized on a development that has the effect of permanently displacing low, very low, and extremely low income persons and families. Low-Income persons who may be temporarily displaced by the rehabilitation of affordable housing may be eligible for compensation of moving and relocation expenses as permitted under Chapter 2306 of the Texas Government Code and this title. ~~Residents of a development to be rehabilitated by Housing Trust Funds must be provided the opportunity to lease and occupy a comparable affordable dwelling unit in the development upon completion of the development. The landlord must provide all persons and families affected by the rehabilitation with~~:

~~(1)Notice in writing within a reasonable time indicating the right to remain in the dwelling unit or the need to relocate; and~~

~~(2)payment of the costs of temporary relocation, including moving costs and any increase in rent.~~

(b) If a Housing Trust Fund recipient violates the permanent dislocation provision of this subsection, that recipient risks loss of Housing Trust Funds and the landlord/developer must pay the affected tenant's costs and all moving expenses.

(c) Restrictions on Communication.

(1) The Applicant or other person that is active in the ownership or control of the proposed activity, or individual employed as a lobbyist or in another capacity on behalf of the application, may not communicate with any Board member with respect to the application during the period of time starting with the time an application is submitted until the time the Board makes a final decision with respect to any approval of that Application, unless the communication takes place at any board meeting or public hearing held with respect to that Application.

(2) Applicants are restricted from communication with Department staff as described in this subsection. The Applicant or other person that is active in the ownership or control of the Development, or individual employed as a lobbyist or in another capacity on behalf of the application, may communicate with an employee of the Department with respect to the Development so long as that communication satisfies the conditions established under

subparagraphs (A) through (E) of this paragraph. Communication with Department employees is unrestricted during any board meeting or public hearing held with respect to that Application.

(A) The communication must be restricted to technical or administrative matters directly affecting the Application;

(B) The communication must occur or be received on the premises of the Department during established business hours;

(C) Communication with the Executive Director, the Deputy Executive Director, the Director of Multifamily Finance Production, the Director of Single Family Finance Production, the Director of Portfolio Management and Compliance, and the Director of Real Estate Analysis of the Department must only be in written form which includes electronic communication through the Internet;

(D) Communication with other Department staff may be oral or in written form which includes electronic communication through the Internet; and

(E) A record of the communication must be maintained by the Department and included with the Application for purposes of board review and must contain the date, time, and means of communication; the names and position titles of the persons involved in the communication and, if applicable, the person's relationship to the Applicant; the subject matter of the communication; and a summary of any action taken as a result of the communication.

(d) Ineligible Applicants: The following violations will cause an Applicant, and any applications they have submitted, to be ineligible:

(1) Previously funded recipient(s) whose Housing Trust Funds have been partially or fully deobligated due to failure to meet contractual obligations during the 12 months prior to the current funding cycle;

(2) Applicants who have not satisfied all threshold requirements described in this title, and the NOFA to which they are responding, and for which Administrative Deficiencies were unresolved;

(3) Applicants who have submitted incomplete applications;

(4) Applicants that have been otherwise barred by the Department;

(5) Applicant or developer, or their staff, who that violate the state revolving door policy; and

(6) Any applicant who would otherwise be considered ineligible under §49.5 of this title.

(e) The Department will not recommend an application for funding if it includes a principal who is or has been:

(1) Barred, suspended, or terminated from procurement in a state or federal program and listed in the List of Parties Excluded from Federal Procurement of Non-procurement Programs;

(2) The subject of enforcement action under state or federal securities law, or is the subject of an enforcement proceeding with a state or federal agency or another governmental entity; ~~or~~

(3) If the applicant has unresolved compliance or audit findings related to previous or current funding agreements with the Department; or~~.~~

(4) Has breached a contract with a public agency.

(f) Material Noncompliance. Each Application will be reviewed for its compliance history by the Department, consistent with Chapter 60 of this title. Applications found to be in Material Noncompliance, ~~or otherwise violating the compliance rules of the Department~~, will be terminated.

(g) Rental Housing Development Site and Development Restrictions. Restrictions include all those items referred to in §49.6 of this title and any additional items included in the NOFA for rental housing developments. ~~The following restrictions apply to Rental Housing Developments only.~~

~~(1)Floodplain. Any Development proposing new construction located within the 100 year floodplain as identified by the Federal Emergency Management Agency (FEMA) Flood Insurance Rate Maps must develop the site so that all finished ground floor elevations are at least one foot above the flood plain and parking and drive areas are no lower than six inches below the floodplain, subject to more stringent local requirements. If no FEMA Flood Insurance Rate Maps are available for the proposed Development, flood zone documentation must be provided from the local government with jurisdiction identifying the 100 year floodplain. No Developments proposing rehabilitation will be permitted in the 100 year floodplain unless they already are constructed in accordance with the policy stated above for new construction or are able to provide evidence of flood insurance on the buildings and the contents of the units.~~

~~(2)Ineligible Building Types. Applications involving Ineligible Building Types will not be eligible for an award. Those buildings or facilities which are ineligible are as follows:~~

~~(A)Hospitals, nursing homes, trailer parks and dormitories (or other buildings that will be predominantly occupied by students) or other facilities which are usually classified as transient housing (other than certain specific types of transitional housing for the homeless and single room occupancy units) are ineligible. However, structures formerly used as hospitals, nursing homes or dormitories are eligible if the Development involves the conversion of the building to a non-transient multifamily residential development.~~

~~(B)Any elderly development of two stories or more that does not include elevator service for any Units or living space above the first floor.~~

~~(C)Any elderly development with any units having more than two bedrooms.~~

~~(D)Any Development with building(s) with four or more stories that does not include an elevator.~~

~~(E)Any Development proposing new construction, other than a Development (new construction or rehabilitation) composed entirely of single family dwellings, having any Units with four or more bedrooms.~~

~~(3)~~(h) Limitations on the Size of Developments. Developments involving new construction will be limited to 252~~0~~ Units. These maximum Unit limitations also apply to those Developments which involve a combination of rehabilitation and new construction. Developments that consist solely of acquisition/rehabilitation or rehabilitation only may exceed the maximum Unit restrictions. The minimum number of units shall be 4 units under all Development programs.

~~(1) Unacceptable Sites. Developments will be ineligible if the Development is located on a site that is determined to be unacceptable by the Department.~~

§51.7. Application Procedure and Requirements.

(a) In distributing funds, the Department will release a NOFA and/or request for proposals that identifies the uses of the available funds and the specific criteria that will be utilized in evaluating applicants.

(b) Applicants must submit a complete application to be considered for funding, along with an application fee determined by the Department and outlined in the NOFA. Applications containing false information will be disqualified. Applications submitted under a Competitive Application Cycle must be received by the application deadline or they will be disqualified. Disqualified Applicants will be notified in writing. All applications must be received by the Department by 5:00 p.m. regardless of method of delivery.

~~(b)Applications containing false information and Applications not received by the deadline will be disqualified. Disqualified applicants are notified in writing. All Applications must be received by the Department by 5:00 p.m. on the date identified in the NOFA, regardless of method of delivery.~~

(c) Applications received by the Department in response to an Open Application Cycle NOFA for housing development activities will be handled in the following manner.

(1) The Department will accept applications on an ongoing basis, until such date when the Department makes notice to the public that the Open Application Cycle has been closed. All applications must be received during business hours and no later than 5:00 p.m. on any business day. The Department may limit the eligibility of applications in the NOFA.

(2) Each application will be handled on a first-come, first-served basis as further described in this section. Each application will be assigned a "received date" based on the date and time it is physically received by the Department. Then each application will be reviewed on its own merits in three review phases. Applications will continue to be prioritized for funding based on their "received date" unless they do not proceed into the next phase(s) of review. Applications proceeding in a timely fashion through a phase will take priority over applications that may have an earlier "received date" but that did not timely complete a phase of review.

(A) Phase One will begin as of the received date. Applications not being considered as CHDOs will be passed through to Phase Two upon receipt. Phase One will only entail the review of the CHDO Certification package. The Department will ensure review of these materials and issue notice of any deficiencies on the CHDO Certification package within 30 days of the received date. Applicants who are able to resolve their deficiencies within ten business days will be forwarded into Phase Two and will continue to be prioritized by their received date. Applications which do not resolve all deficiencies ten business days will be retained in Phase One until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon satisfaction of all deficiencies will the Application be forwarded to Phase Two. Applications that have not proceeded out of Phase One within 90 days of the received date will be terminated and must reapply for consideration of funds.

(B) Phase Two will include a review of all application requirements. The Department will ensure review of all application materials required under the NOFA and issue notice of any deficiencies on the application's satisfaction of threshold and eligibility within 45 days of the date it enters Phase Two. Applicants who are able to resolve their deficiencies within ten business days will be forwarded into Phase Three and will continue to be prioritized by their received date. Applications which do not resolve all deficiencies within ten business days, will be retained in Phase Two until all deficiencies have been addressed/resolved by the Applicant to the Department's satisfaction. Only upon resolution of all deficiencies will the Application be forwarded to Phase Three. Applications that have not left Phase Two within 120 days of the date it entered Phase Two will be terminated and must reapply for consideration of funds.

(C) Phase Three will include a comprehensive review for material noncompliance and financial feasibility by the Department. Financial feasibility reviews will be conducted by the Department's Real Estate Analysis (REA) Division consistent with 10 TAC §1.32, Underwriting Rules and Guidelines. REA will draft an underwriting report that will identify staff's recommended loan terms, the loan or grant amount and any conditions to be placed on the development. The Department will ensure financial feasibility review and issue notice of any required deficiencies for that feasibility review within 45 days of the date it enters Phase Three. Applicants who are able to resolve their deficiencies within ten business days will be forwarded into "Recommended Status" and will continue to be prioritized by their received date. Applications with deficiencies not satisfied within ten business days, will be retained in

Phase Three until Applicant resolves all deficiencies to the Department's satisfaction. Only upon satisfaction of all deficiencies will the Application be forwarded to the Department's Executive Award Review and Advisory Committee for final approval before recommendation to the Board. Any application that has not left Phase Three after 120 days of the date it entered Phase Three will be terminated and must reapply for consideration of funds.

(D) Upon completion of Phase Three, applications will be presented to the Executive Awards Review and Advisory Committee (the Committee). If satisfactory, the Committee will then recommend the award of funds to the Board, as long as funds are still available for this activity under the applicable NOFA. If Phase Three is completed at least 14 days prior to the next Board meeting, it will be placed on the next Board meeting's agenda. If Phase Three is completed with less than 14 days before the next Board meeting, the recommendation will be placed on the following month's Board meeting agenda.

(E) Because applications are prioritized by "received date," it is possible that the Department will expend all available funds before an application has been completely reviewed. If all funds are committed before an application has completed all phases of the review process, the Department will notify the applicant that their application will remain active for 90 days in its current phase. If new funds become available applications already under review will continue with their review without losing their received date status. If new funds do not become available within 90 days of the notification, the applicant will be notified that their application is no longer under consideration and in the event of future funding, they would be required to reapply. If on the date an application is received by the Department, no funds are available under this NOFA, the applicant will be notified that no funds remain under the NOFA and that the application will not be processed.

(F) The Department may decline to consider any application if the proposed activities do not, in the Department's sole determination, represent a prudent use of the Department's funds. Beyond the use of the "received date", staff will make selections based upon the need for housing in the community where the development is located, the effectiveness with which the proposed use of funds would aid in continuing to provide affordable housing, the general feasibility of the proposed transaction, and the credibility of the applicant. The Department is not obligated to proceed with any action pertaining to any applications which are received, and may decide it is in the Department's best interest to refrain from funding any application. The Department strives, through its terms, to maximize the return on its funds while ensuring the financial feasibility of a development. The Department reserves the right to negotiate individual elements of any application.

(d) Administrative Deficiencies. If an application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the application, the Department staff may request clarification or correction of such Administrative Deficiencies including both threshold and/or scoring documentation. The Department staff may request clarification or correction in a deficiency notice in the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. Administrative Deficiencies given to Applications submitted under an Open Application Cycle NOFA will be handled in the manner described under Part B of this Section. Applications submitted under a Competitive Application Cycle NOFA will be treated in the following manner.

~~(c)Administrative Deficiencies. If an Application contains deficiencies which, in the determination of the Department staff, require clarification or correction of information submitted at the time of the Application, the Department staff may request clarification or correction of such Administrative Deficiencies. The Department staff may request clarification or correction in a deficiency notice in~~

~~the form of a facsimile and a telephone call to the Applicant advising that such a request has been transmitted. If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within eight business days of the deficiency notice date, then five points shall be deducted from the Selection Criteria score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within ten business days from the deficiency notice date, then the Application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period.~~

(1) If Administrative Deficiencies are not clarified or corrected to the satisfaction of the Department within five business days of the deficiency notice date, then five points shall be deducted from the application score for each additional day the deficiency remains unresolved. If deficiencies are not clarified or corrected within seven business days from the deficiency notice date, then the application shall be terminated. The time period for responding to a deficiency notice begins at the start of the business day following the deficiency notice date. Deficiency notices may be sent to an Applicant prior to or after the end of the Application Acceptance Period. An Applicant may not change or supplement an application in any manner after the filing deadline, except in response to a direct request from the Department.

(e) Applications received by the Department in response to a Competitive Application Cycle NOFA for housing development activities will be handled in the following manner.

~~(d)Rental Housing Developments will undergo a review as follows:~~

(1) Threshold Evaluation. Applications submitted for Rental Housing Developments will be required to ~~comply with~~ meet the threshold criteria defined by the NOFA and any Threshold Criteria that may be applicable to the Housing Trust Fund as defined by ~~-~~Chapter 2306 of the Texas Government Code~~required under Section 50. 9(f) of this title, which are those required for the Housing Tax Credit Program~~.

(2) Scoring Evaluation. For an Application to be scored, the Application must demonstrate that the Development meets all of the Threshold Criteria requirements. Applications that satisfy the Threshold Criteria will then be scored and ranked according to the scoring criteria identified in the NOFA.

(3) Financial Feasibility Evaluation. After the Application is scored, the Department will assign, as herein described, Developments for review for financial feasibility by the Department's Real Estate Analysis Division. The Department shall underwrite an Application to determine the financial feasibility of the Development and an appropriate funding amount and terms. In making this determination, the Department will use the ~~Underwriting Rules~~Underwriting Rules and Guidelines, Section 1.32 of this title.

(f) All applications for housing development activities will be reviewed in the following manner;

~~(4)~~(1) A site visit will be conducted. Applicants must receive recommendation for approval from the Department to be considered for funding by the Board.

~~(5)Each Rental Housing Development Application will be notified of their score in writing no later than seven days after all applications received have been scored. Subsequently, the recommendation regarding their Application will be made on the Department's web site at least 7 days prior to the Board meeting where the awards will be approved.~~

~~(6)~~(2) After, Board approval for the award of Development activity funds is conditional upon a completed loan closing and any other conditions deemed necessary by the Department.

~~(e)~~(g) Applications other than ~~that~~ Rental Housing Developments will be reviewed and evaluated in accordance with the NOFA for that activity.

(h) Applicants may appeal staff's decisions regarding their applications consistent with Section 1.7 of this title.

(i) Alternative Dispute Resolution Policy. Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator (fax: (512) 475-3978). For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 Texas Administrative Code §1.17.

~~(h)~~(j) ~~In accordance with §2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator. The proposal should describe the dispute and the details of the process proposed (including proposed participants, third party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.~~

§51.8. Criteria for Funding.

(a) In considering applications for funding, the Department considers the following requirements under Section 2306.203~~(c)~~, Texas Government Code, and such others as may be enumerated during the funding cycle:

(1) Minimum Eligibility Criteria. To be considered for funding, an Applicant must first demonstrate that it meets each of the following threshold criteria:

(A) The application is consistent with the requirements established in this rule and the NOFA.

(B) The applicant provides evidence of its ability to carry out the proposal in the areas of financing, acquiring, rehabilitating, developing or managing an affordable housing development.

(C) The proposal addresses and identifies a housing need. This assessment will be based on statistical data, surveys and other indicators of need as appropriate.

(2) Evaluation Factors. The criteria used to ~~rank~~ evaluate applications, as more fully reflected in the NOFA, will include at a minimum the:

(A) leveraging of federal funds including the extent to which the project will leverage State funds with other resources, including federal resources, and private sector funds;

(B) cost-effectiveness of a proposed development; and

(C) extent to which individuals and families of very low income and extremely low income are served by the development.

(b) The Board has final approval on all recommendations for funding.

(c) Eligible Applicants that have been approved for funding and that require a material change in the project description must provide a written request for the material change to the Department prior to implementing the change.

(1) A material change may include, but is not limited to, the following:

(A) Change in project site;

(B) Change in the number of units or set asides; and

(C) Increase in funding.

(2) Failure to comply with this subsection may result in the termination of funding to the applicant.

(d) The Department, acting by and through its Executive Director or his/her designee, may authorize, execute, and deliver modifications and/or amendments to any Housing Trust Fund development proposal or written agreement provided that:

(1) in the case of a modification or amendment to the dollar amount of the request or award, such modification or amendment does not increase the dollar amount by more than 25% of the original request or award, or $50,000, whichever is greater; and

(2) in the case of all other modifications or amendments, such modification or amendment does not, in the estimation of the Executive Director, significantly decrease the benefits to be received by the Department as a result of the award.

(3) Modifications and/or amendments that increase the dollar amount by more than 25% of the original award or $50,000, whichever is greater; or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.

~~(d)The Executive Director of the Department may approve nonmaterial changes in the project description and in the scope of work to be performed for clarification and necessary administrative adjustments, provided that any such change does not increase the dollar amount of the original award of funds.~~

§51.9. Other Program Requirements.

(a) Employment opportunities. In connection with the planning and carrying out of any project assisted under the Act, to the greatest extent feasible, opportunities for training and employment shall be given to low, very low, and extremely low income persons residing within the area in which the project is located.

(b) Conflict of Interest.

(1) Conflict Prohibited. No person described in paragraph (2) of this subsection who exercises or has exercised any functions or responsibilities with respect to Housing Trust Fund activities under the Statute or who is in a position to participate in a decision making process or gain inside information with regard to such activities, may obtain a personal or financial interest or benefit

from a Housing Trust Fund assisted activity, or have an interest in any Housing Trust Fund contract, subcontract or agreement or the proceeds hereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

(2) Persons Covered. The conflict of interest provisions of paragraph (1) of this subsection apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of the Recipient.

(c) Right to Inspect and Monitor.

(1) The Department may, at any time, inspect and monitor the records and the work of the project so as to ascertain the level of project completion, quality of work performed, inventory levels of stored material, compliance with the approval plans and specifications, property standards, and program rules and requirements.

(2) Any unsatisfactory findings in the inspection may result in a reduction in the amount of funds requested or termination of funding.

(3) Within 45 days of completion of any construction, and before the release of any retainage funds, Recipients are required to notify the Department of the completion by submitting a certificate of completion and any other documents required by program guidelines, including, but not limited to, the following:

(A) Architect's Certification of Substantial Compliance;

(B) Recipient's Certificate of Substantial Completion; and

(C) Recipient's and supplier's Release of Lien and warrantee.

(4) The Department performs a final close-out visit and assists owners in preparing for long-term compliance requirements upon completion of project development.

(d) Compliance.

(1) Recipient must maintain compliance with each of its written agreements with the Department.

(2) Restrictions are stated and enforced through a regulatory agreement.

(3) These restrictions include, but are not limited to the following:

(A) Rent restrictions;

(B) Record keeping and reporting; and

(C) Income targeting of tenants.

(4) The Department monitors compliance with project restrictions and any other covenants by Recipient in any Housing Trust Fund agreement. An annual per unit compliance fee of $25.00 may be charged for this review ~~is charge for this review~~.

(5) Prior to the leasing of any units, project owners are provided guidance and training by the Department to assist project owners in adhering to restriction and reporting requirements.

(e) For funds being used for multifamily rental properties, the recipient must establish a reserve account consistent with Section 2306.186, Texas Government Code, and as further described in Chapter ~~60~~1.37 of this title.

(f) Accounting Requirements. Within 60 days following the conclusion of a contract issued by the Department the recipient shall provide a full accounting of funds expended under the terms of the contract. Failure of a recipient to provide full accounting of funds expended under the terms of a contract shall be sufficient reason to terminate the contract and for the Department to deny any future contract to the recipient.

§51.10. Citizen Participation.

(a) The Department holds at least one public hearing annually, and additional public hearings prior to consideration of any proposed significant changes to these rules, to solicit comments from the public, eligible applicants, and Recipients on the Department's rules, guidelines, and procedures for the Housing Trust Fund.

(b) The Department considers the comments it receives at public hearings. The Board annually reviews the performance, administration, and implementation of the Housing Trust Fund in light of the comments it receives. The Board also reviews funding goals and set-asides relating to Allocation of Housing Trust Funds.

(c) Applications for Housing Trust Funds are public information and the Department shall afford the public an opportunity to comment on proposed housing applications prior to making awards.

(d) Complaints will be handled in accordance with the Department's complaint procedures of Section 1.2 of this title.

§51.11. Records to be Maintained.

(a) Recipients are required, at least on an annual basis, to submit to the Department information required under Chapter 1 of this title, which may include ~~including~~, but is not limited to:

(1) such information as may be necessary to determine whether a project is benefiting low, very low, and extremely low income persons and families;

(2) the monthly rent or mortgage payment for each dwelling unit in each structure assisted;

(3) such information as may be necessary to determine whether Recipients have carried out their housing activities in accordance with the requirements and primary objectives of the Housing Trust Fund and implementing regulations;

(4) The size and income of the household for each unit occupied by a low, very low, or extremely low income person or family;

(5) Data on the extent to which each racial and ethnic group and households have applied for and benefited from any project or activity funded in whole or in part with funds made available under the Statute. This data shall be updated annually; and

(6) A final statement of accounting upon completion of the project.

(b) Recipients shall maintain records pertinent to the tenant's files for a period of at least three years.

(c) Recipients shall maintain records pertinent to funding awards including but not limited to project costs and certification work papers for a period of at least five years.

(d) Recipient shall maintain records in an accessible location.

§51.12. Waiver.

The Board may, in its discretion, waive any one or more of the rules set forth in this chapter to accomplish its legislative mandates or for other compelling circumstances.

Real Estate Analysis Division
Board Action Summary
September 9, 2004

Action Item

Draft 2005 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines.

Required Action

The Board approve for publication the Draft 2005 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines and authorize the distribution and public hearings on the draft rules concurrent with the Department's uniform hearing schedule. These rules are codified in 10TAC §1.31- 1.37.

Background

The Department conducted workshops and held hearings on a major overhaul of the underwriting rules two years ago and removed them from the QAP. The purpose of the removal from the QAP was to facilitate the application of these rules with all of the Department's multifamily programs. The draft rules being presented today include changes resulting from three main sources of input: public input at roundtable meetings, open forums and work groups, legislative requirements, and staff input.

Public Comment. A work group was formed to discuss financial feasibility as part of the larger QAP working group. A roundtable was held on July 26, 2004 with attendance by 17 individuals representing developers, lenders, syndicators, consultants, and third party report providers. A second open discussion on general underwriting issues was provided as a session at the 2004 Texas Affiliation of Affordable Housing Providers conference held in July of 2004. Finally, written comment was encouraged to be submitted through the first week of August 2004. The comments made did not include suggested language for changes to the rules or, in most cases, reference to specific sections of the rules. Therefore, the section references below are staff's best efforts to link comments to the most relevant sections.

- **§1.31-1.37 REA Rules and Guidelines.**
  Using the same underwriting guidelines for all Department programs may not be appropriate.
  Bond deals where the credits are not competitive and there is a "look back" at cost certification should have a more cursory underwriting.
  Staff Response. Staff does not recommend a change as the development characteristics and operation, in general, should not be affected by the funding type requested. Any element of a specific program that may affect underwriting of the development is taken into consideration by the Department.
- **§1.32(d)(1) Rental Income.**
  Rather than depend on the market rent conclusions of the Market Studies, market rents should be capped by the Department.
  When the market rents are not consistently 5%-10% above the HTC targeted rents, the lower of the fair market rents of the HTC rents should be used. However, if the only comparables available are 15 or more years old or the unit mix currently offered in the market area does not meet demand, consideration should be given to underwriting to the higher rents.
  The Department should be able to underwrite below the maximum program rents.
  The Department should use only 80% of the tax credit program maximum rents in its underwriting analysis.

There are different markets in Texas, so use of the Market Study is the best method for determining market rents.

Staff Response. Because of the inconsistency of comments received, staff does not recommend a change to the rules or the current methodology. The State of Texas encompasses many different markets. The proposed changes may make sense for one market, but not for another. Therefore, the underwriting analysis will continue to rely on market rent conclusions of the Market Studies that conform to §1.33 Market Analysis Rules and Guidelines.

- **§1.32(d)(2) Miscellaneous Income.**

  Raise secondary income limit from $15 to $25 per unit per month.

  Staff Response. Staff does not recommend a change to the current language as the guideline of $5 to $15 per unit per month is still supported by actual performance of developments funded by the Department. Exceptions to the guideline are made based on the collection rate of comparable properties in the same market area.

- **§1.32(d)(2) Miscellaneous Income.**

  Utility income should be treated one of two ways: either reduce the amount projected as being spent by the property by the income derived or show a category in other income for utility income (which all the lenders prefer).

  Staff Response. Staff recommends the following language:

  §1.32(d)(1)(B)

  (~~2~~B) 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 as determined by the Underwriter.~~ Exceptions may be made at the discretion of the Underwriter for ~~special uses, such as~~ garage~~s~~ income, pass-through utility payments, pass-through water, sewer and trash payments, cable fees, congregate care/assisted living/elderly facilities, and child care facilities.

  (i) Exceptions must be justified by operating history of existing comparable properties ~~and should also be documented as being achievable in the submitted market study.~~

  (ii) 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.

  (iii) The Applicant's operating expense schedule should reflect an offsetting cost associated with income derived from pass-through utility payments, pass-through water, sewer and trash payments, and cable fees.

  (iv) Collection rates of ~~these~~ exceptional fee items will generally be heavily discounted.

  (v) 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~~ Eligible ~~basis~~ 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.~~

- **§1.32(d)(5)(I) Reserves.**

  Capital replacement reserves should be linked more closely to today's realities: $250 per unit per year for new construction Seniors projects; $300 per unit per year for new construction Family projects; and +$300 per unit per year for Rehabs, supported by an engineering evaluation of major systems.

  Staff Response. Staff recommends the following language:

§1.32(d)(2)(I)

(I) Reserves. Reserves include annual reserve for replacements of future capitalizable expenses as well as any ongoing additional operating reserve requirements. The Underwriter includes minimum reserves of $200 per unit for new construction and $300 per unit for ~~rehabilitation~~ all other Developments. The Underwriter may require an amount above $300 for Developments other than new construction based on information provided in the PCA. Higher levels of reserves also 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.~~

- **§1.32(d)(6) Net Operating Income and Debt Service & §1.32(e) Development Costs.**
The Department should allow greater latitude for differences between the underwriting conclusions and the Applicant's figures when deciding which estimates to use in its analysis. Rather than a 5% tolerance level, an 8% to 10% would be more appropriate.
Staff Response. Staff does not recommend a change as the tolerance level of 5% was discussed at the time the underwriting rules and guidelines were removed from the QAP and proposed as stand alone rules. Based on public comment submitted in the coming year, staff will explore the effect of changing the tolerance level on direct construction cost and focus on that measure rather than the total development cost tolerance.
- **§1.32(d)(6)(C) Acceptable Debt Coverage Ratio Range.**
The Department's minimum debt coverage ratio (DCR) is inconsistent with industry standards. Rather than a minimum of 1.10 across the board, the DCR should be a minimum of 1.15 for new construction and 1.20 for rehabilitation developments.
The Department should have a more lenient debt coverage ratio requirement for nonprofit Applicants.
There should be a cut-off point based on number of units for requiring a higher DCR.
A truly subordinate debt that cannot cause foreclosure should be ignored.
Staff Response. Staff does not recommend a change. It is also an industry standard to trend rents and expenses to the placed in service date, which generally allows for a higher net operating income, and then require a 1.20 minimum DCR. The Department's underwriting analysis relies on a proforma based on current rents and expense information; therefore, a 1.10 minimum DCR provides sufficient cushion to allow tight deals that lenders and syndicators are willing to do to still receive a positive underwriting recommendation.
- **§1.32(d)(6)(A) Interest Rate.**
The Department should write parameters for floating rate permanent debt. There should be a cap associated with interest rates and it should be identified in the underwriting rules.
An interest rate cap is not an underwriting base interest rate, it is an insurance policy.
Staff Response. Staff recommends the following language:
§1.32(d)(6)(A)

(A) Interest Rate. The interest rate used should be the rate documented in the commitment letter.

(i) Commitments indicating a variable rate must provide a detailed breakdown of the component rates comprising the all-in rate. The commitment must also state the lender's underwriting interest rate, or the Applicant must submit a separate statement executed by the lender with an estimate of the interest rate as of the date of the statement.

(ii) The maximum rate ~~that will be~~ allowed for a competitive application cycle is evaluated by the Director of the Department's division responsible for Credit Underwriting Analysis Reports 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.

- **§1.32(e)(3) Site Work Costs.**
These costs are unpredictable. By requiring third party support for costs above $7,500 per unit, the Department has created a disincentive for Applicants to provide a true estimate of site work costs. Also, the actual estimate is made at a later point in the construction process. If a third party estimate must be submitted, it should be required at a later date in the application process.

Staff Response. Staff does not recommend a change. It is true that site work costs are considered by staff to be the most unpredictable costs associated with a new construction development. Therefore, it is necessary to require additional support for costs that appear to be excessive in terms of site work costs associated with the average development. It was determined that requiring third party support for site work costs regardless of the per unit cost would be a financial burden for most Applicants. A limit of $5,500 per unit was originally established and twice increased based on public comment in previous years. If necessary, and based on public comment received with regards to the 2005 Real Estate Analysis Rules and Guidelines, a new limit may be established.

- **§1.32(e)(4) Direct Construction Costs.**

  The QAP awards points based on costs below a maximum guideline of $73/foot, while underwriting relies on Marshall & Swift's. This appears to be inconsistent.

  Development Cost Caps per Unit – TDHCA should not set a cap on costs per unit because there is no "typical" cost per unit. Costs vary greatly by type of unit (single family, townhome, garden-style, three-story, etc.), by size of units, and a host of other variables. Also, cost caps will diminish the quality of construction and may lead to the construction of inferior units that will not last through the end of the Extended Use Period- *Financial Feasibility work group*.

  Staff Response. There is a separation between scoring points and underwriting. Scoring does not take into account project specifics (i.e., amenities, corridors, common area) that need to be considered for a comprehensive underwriting analysis.

- **§1.32(e)(4)(A) New Construction.**

  Due to cost increases in the last six months, using "average" quality *Marshall & Swift* costing is obsolete. "Good" or better quality costing should be used.

  Staff Response. Staff does not recommend a change. Based on the most recent 9% HTC application cycle, the "average" quality standard appears to be generally comparable to Applicant estimates.

- **§1.32(e)(7) Developer Fee Limits.**

  Developer fee limits are in line on larger deals; however, smaller rural deals should be allowed a larger developer fee to further promote smaller rural development. Since the deferral of developer fees rarely is less than 50% in the smaller deals, a higher allowable fee may induce more activity.

  Staff Response. Staff does not recommend a change. The 15% limit on developer fees is in line with current NCSHA standards.

- **§1.33 Market Analysis Rules and Guidelines**

  Market study contents should include discussion of impact on those local schools where the proposed Development is in the attendance zone, compared to other schools in the primary market area.

  Staff Response. This subject is not typically addressed by market studies. This may be accomplished by requiring information to be submitted directly by applicants in cooperation with the local school district.

- **§1.33(a) General Provision.**

  The Department should move to a system where the Department contracts the market studies, as is done in other states, rather than having the Applicant choose the market analyst.

  Market Study Analysts for a particular application should be engaged by the applicant – *Financial Feasibility work group*.

  Staff Response. Staff agrees with the Financial Feasibility work group and does not recommend a change to the current process.

- **1.33(c) Self-Contained.**

  The Department should specify how recent the demand and comparables data must be.

Staff Response. This issue should be left up to the discretion of the underwriter. However, the following language is recommended:

(c) 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. All data presented should reflect the most current information available. The analysis must clearly lead the reader to the same or similar conclusion(s) reached by the Market Analyst. A conclusion and recommendation section should be included at the end of the report.

- **§1.33(d)(14) Demand Analysis.**

  So many developments that the Board reviews have over 90% of the demand coming from household turnover and very little from new demand (neighborhood growth). What are REA's recommendations to encourage development locations where household growth is a larger component of demand?

  Staff Response. Turnover is an industry accepted tool used to determine demand. There is currently no justification for limiting the use of this tool and basing demand on anticipated growth versus historical growth would be more speculative. To offset the perceived overestimation of demand based on turnover, the inclusive capture rate is limited to 25% for developments targeting the general population rather than 100%.

- **§1.33(d)(14) Demand Analysis.**

  The turnover rate for a market area may be too high for use in a demand calculation for developments targeting seniors.

  Staff Response. Staff agrees, but due to the lack of turnover information specific to developments targeting seniors, change to the current language is not recommended.

- **§1.34(c) Date of Appraisal.**

  The Department should allow developments funded through USDA to provide appraisals that are older than six months since they are accepted by USDA.

  Staff Response. Revisions to the QAP have been proposed and Staff recommends the following language for the REA rules:

  §1.34(d)

  (~~c~~d) 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 unless the Department's program rules indicate otherwise.

- **§1.33(d) Market Analyst Qualifications.**

  The rules should be changed to provide REA with basis to reject a market study outright if it has numerous problems, or to remove a Market Analyst whose studies have repeated deficiencies for a fixed period of time before any opportunity for reinstatement.

  TDHCA has noted deficiencies in the market studies prepared by some market analysts on the approved list. If noted deficiencies appear for a second consecutive year in market studies prepared by a particular analyst, then TDHCA must move swiftly to remove that analyst from the approved list.

  Staff Response. Staff is working on "moving swiftly" to remove Market Analysts from the approved list if deficiencies in the submitted market studies appear to warrant such action. Public comment received from market analysts has indicated that imposing a extensive non-eligibility period would be detrimental to their business and further limit the number of active analysts. Market analysts are professionals and by working closely with them, the quality of market studies has improved.

- **§1.33(e)(12) Primary Market Information.**

  "Boundaries" should be added to the rules to prevent different conclusions being drawn by two different market analysts for the same development.

The rules should be revised to reasonably limit the total discretion of the Market Analyst in defining the Primary Market Area. Underwriting might define a range of acceptability such as 3- to 7-miles or establish a ceiling on the market area size.

A 250,000 population "guideline" and the definition in §1.31 do not appear to constitute a methodology as required under §2306.67055 that can be objectively assessed.

Staff Response. Round table discussions with professionals in the industry consistently have indicated a strong preference for allowing the Market Analyst to determine boundaries specific to the proposed developments. Staff had originally recommended a three-mile radius when the underwriting guidelines were first proposed as stand-alone rules. Based on public comment from the industry, staff was directed away from a radius-based Primary Market Area boundary. However, the underwriting reports currently provide an effective radius based on the area of the defined market. In accordance with §2306.67055 and to allow for flexibility based on the wide range of markets in the State of Texas, the guidelines indicates natural, political and geographical boundaries whenever possible and limits the population included in the market area. Staff recommends the following language for clarification:

§1.33(e)(12)

(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~~/~~ and geographical boundaries whenever possible. Furthermore, the Primary Market for a Development chosen by the Market Analyst ~~will generally be most informative if it~~should contain~~s~~ no more than ~~250,000~~100,000 persons~~, though~~, however, a Primary Market with more residents with a maximum limit of 250,000 persons in the base demographic year 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 plus all existing, under construction and proposed Affordable Housing developments clearly identified must be provided. A separate scaled distance map of the Primary Market that clearly identifies the subject and the location and distances of all Local Amenities described in ~~§50.9(g)(4) of this title~~the QAP, as proposed, must also be included.

- **§1.33(e)(13)(A) Comparable Property Analysis.**

  Please explain REA's rationale for the proposed rule change to raise the "adjustments made to the Comparable Units in excess of…" from 15% to 25%?

  Staff Response: The change was made for consistency with industry standards.

- **§1.33(e)(14) Demand Analysis.**

  The proposed rules should require Market Analysts who count senior citizens as demand in the Primary Market to also count existing senior developments as supply in the Primary Market.

  Staff Response. Senior households are considered as part of the demand for developments targeting general population because they are not restricted from leasing a unit. It would be appropriate to apply a factor to the demand derived from seniors households as it applies to developments targeting the general population; however, the Department is unaware of a solid source for this factor. To include the seniors units in the market area as part of unstabilized units would result in overstating the supply as those units are not available to all households within the demand figure.

- **§1.33(e)(15)(D) Conclusions.**

  The inclusive capture rate should account for stabilized developments.

  Staff Response. When the inclusive capture rate was designed, the compromise was to include only unstabilized units.

- **§1.36 Property Condition Assessment (PCA) Rules and Guidelines.**

  The use made of the PCA by the Department is not what the report is intended for...

  A PCA should be made a condition of allocations rather than a threshold requirement.

Staff Response. Staff does not recommend a change. The PCA, as defined by the Department, is intended to serve as the third party support for all direct costs associated with rehabilitation developments.

- **§1.36 Property Condition Assessment Rules and Guidelines.**
  The PCA language should be revised to include "all repairs, replacements and upgrades planned during the rehabilitation period."
  Staff Response. This issue is addressed in §1.36(a)(6); however, staff recommends the following language for clarification:
  (6) Obsolescence. If the development plan calls for additional modification or replacement of certain systems, components, or other aspects of the property strictly due to functional obsolescence or external market obsolescence, such items should be identified and the nature or source of the obsolescence discussed. The associated costs may be included either with immediate repairs or with expected repairs over time as appropriate. It is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA provider is apprised of all development activities associated with the proposed transaction, and to ensure consistency between the PCA, and the proposed development costs.

Legislative Requirements. As of 9/1/2003, the Department's asset management function became a responsibility of the Real Estate Analysis Division. Therefore, language included in the Compliance Monitoring Policies and Procedures (10TAC §60.1) to meet requirements of §2306.186 is proposed to be removed. The proposed §1.37 Reserve for Replacement Rules and Guidelines is meant to replace the removed language, to continue to meet the requirements of §2306.186.

Staff Input. Department staff was asked to provide comment on the REA Rules and Guidelines. Changes are also suggested by REA staff to provide clarity and to allow the REA Rules and Guidelines to encompass all aspects of the REA Division's responsibilities.

- **§1.31(b)(28), §1.32(g)(4)**
  A definition and additional underwriting criteria for workout developments is proposed.
- **§1.32(b)**
  Proposed consolidation and streamlining of the requirements of the underwriting report includes the removal of evaluation of affordability and experience of development team members. The experience of development team members is a function of the Portfolio Management and Compliance Division. Staff views requiring two divisions to perform the same task as a waste of Department resources. Evaluation of affordability of the proposed units is superfluous as the function of the Department's programs is to provide affordable housing by restricting rent levels based on the targeted households. In the case where program rent levels are higher than market rents, the underwriting will reflect the lower market rents and market forces should restrict the development rents at the lower levels.
- **§1.32(d)**
  Proposed revisions were made to the process for communication of differences between the Underwriter's and Applicant's costs and expenses to require contact only if the allocation amount or other recommendations of the underwriting report are adversely affected.
- **§1.32(d)(2)(H)**
  A new method for estimating property tax expense based on an anticipated cap rate established by the local tax assessor or 11% if none has been established is proposed.
- **§1.32(e)(1)**
  Documents required under this paragraph with regard to identity of interest transactions were deleted to avoid redundancy and inconsistency with the proposed QAP. The analysis required with regards to site work costs remains.

- **§1.32(e)(3)**
  Documents required under this paragraph were deleted to avoid redundancy and inconsistency with the proposed QAP. The analysis required remains the same.
- **§1.32(e)(4)(B)**
  Additional language providing clarification of the Underwriter's use of the PCA is proposed.
- **§1.32(f)(2)**
  Documents and the process for submission of such documents required under this paragraph with regard to financial statements were deleted to avoid redundancy and inconsistency with the proposed QAP. The required analysis remains unchanged.
- **§1.33(e)(12)**
  The guideline for population of a defined Primary Market Area was revised to indicate 100,000 persons as generally acceptable, and required additional narrative supportive for populations in excess of 100,000 persons up to a limit of 250,000 persons. It should be noted demand, clearly supported by additional demographics and other documentation, from a defined secondary market can be included for developments targeting households other than families (i.e., senior households, households in transition, etc.).
- **§1.33(e)(15)(D)**
  Additional language providing clarification of the Underwriter's adjustment to the inclusive capture rate is proposed.
- **§1.35**
  Additional language is proposed to add requirements to the Environmental Site Assessment Rules and Guidelines for noise studies, lead based paint survey, drinking water survey and asbestos containing materials survey.

Recommendation

Approve the publication of the Draft 2005 Underwriting, Market Analysis, Appraisal, Environmental Site Assessment, Property Condition Assessment, and Reserve for Replacement Rules and Guidelines and authorize the distribution and public hearing on the draft rules concurrent with the Department's uniform hearing schedule

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TITLE 10
PART 1
CHAPTER 1
SUBCHAPTER B UNDERWRITING, MARKET ANALYSIS, APPRAISAL, ENVIRONMENTAL SITE ASSESSMENT, ~~AND~~ PROPERTY CONDITION ASSESSMENT AND RESERVE FOR REPLACEMENT RULES AND GUIDELINES

§1.31 General Provisions.

(a) Purpose. The Rules in this subchapter apply to the underwriting, market analysis, appraisal, environmental site assessment, ~~and~~ property condition assessment, and reserve for replacement 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'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 the interpretation of the rules and guidelines described in this subchapter is subject to the discretion of the Department and final determination by the Board.

(b) Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants, and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an applicant or other person would like to engage the Department in an ADR procedure, the person may send a proposal to the Department's Dispute Resolution Coordinator (fax: (512) 475-3978). For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 Texas Administrative Code §1.17.~~In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation and nonbinding arbitration. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and Applicants, and other interested Persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at anytime an Applicant or other Person would like to engage the Department in an ADR process, the Person may send a proposal to the Department's General Counsel and Dispute Resolution Coordinator (Chris Wittmayer, Email: cwittmay@tdhca.state.tx.us; Fax: (512) 475-3978). The proposal should describe the dispute and the~~

~~details of the process proposed (including proposed participants, Third Party, when, where, procedure, and cost). The Department will evaluate whether the proposed process would fairly, expeditiously, and efficiently assist in resolving the dispute and promptly respond to the proposal.~~

(c) Definitions. Many of the terms used in this subchapter are defined in ~~Chapter 50 of this title (~~the Department's Housing Tax Credit Program Qualified Allocation Plan and Rules, known as the "QAP"~~)~~, as proposed. 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 ("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.~~

(2) Bank Trustee - a bank authorized to do business in this state, with the power to act as trustee.

(3) Cash Flow - The funds available from operations after all expenses and debt service required to be paid has 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, design,~~ quality of construction, age, size, number of rooms, location, utility structure, and other discernable characteristics that can be used to compare and contrast from a proposed or existing unit.~~ Other considerations may include access to amenities and supportive services on and off the property.~~

(6) Contract Rent - Maximum Rent Limits based upon current and executed rental assistance contract(s), typically with a federal, state or local governmental agency.

(~~6~~7) DCR - Debt Coverage Ratio. Sometimes referred to as the "Debt Coverage" or "Debt Service Coverage." A measure of the number of times loan principal and interest are covered by Net Operating Income.

(~~7~~8) Development - Sometimes referred to as the "Subject Development." Multi-unit residential housing that meets the affordability requirements for and requests or has received funds from one or more of the Department's sources of funds.

(~~8~~9) 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.

(10) ESA - Environmental Site Assessment. An environmental report that conforms with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E 1527) and conducted in accordance with the Department's Environmental Site Assessment Rules and Guidelines in §1.35 of this subchapter as it relates to a specific Development.

(11) First Lien Lender - a lender whose lien has first priority.

(~~9~~12) 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--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) 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 rental rates or 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 rents charged by owners of Rent 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 by political/geographical boundaries from which a proposed or existing Development is most likely to draw the ~~bulk~~ majority of its prospective tenants or homebuyers.

(18) PCA - Property Condition Assessment. Sometimes referred to as “Physical Needs Assessment,” “Project Capital Needs Assessments,” “Property Condition Report” or “Property Work Write-~~up~~Up.” An evaluation of the physical condition of the existing property and evaluation of the cost of rehabilitation conducted in accordance with the Department’s Property Condition Assessment Rules and Guidelines in §1.36 of this subchapter as it relates to a specific Development.

(19) Rent Comparable Unit - A unit of housing, not characterized as Affordable Housing, that is of similar quality of construction, age, size, number of rooms, location, utility structure, and other discernable characteristics that can be used to compare and contrast from a proposed or existing unit.

(~~19~~20) 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.

(21) Reserve Account - an individual account:

(A) Created to fund any necessary repairs for a multifamily rental housing development; and

(B) Maintained by a First Lien Lender or Bank Trustee.

(~~20~~22) Supportive Housing - Sometimes referred to as “Transitional Housing.” Rental housing intended solely for occupancy by individuals or households transitioning from homelessness or abusive situations to permanent housing and typically consisting primarily of efficiency units.

(~~21~~23) 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.

(~~22~~24) TDHCA Operating Expense Database - Sometimes ~~called~~ referred to as~~the~~ “TDHCA Database.” ~~This is a~~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.

~~(23) 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.~~

(~~24~~25) Underwriter - The author(s), as evidenced by signature, of the Credit Underwriting Analysis Report.

(~~25~~26) Unstabilized Development - A Development that has not maintained a 90% occupancy level for at least 12 consecutive months.

(~~26~~27) 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 local entity responsible for administering the HUD Section 8 program with most direct jurisdiction over the majority of the buildings existing 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~~ Subject Development and consistent with the building plans provided.

(28) Work Out Development - A financially distressed Development seeking a change in the terms of Department funding or program restrictions based upon market changes.

§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, 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~~4) 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~~5) Analysis of the Development's debt service capacity;

(~~7~~6) 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~~7) Evaluation of the commitment for additional sources of financing for the Development;

~~(9) Review of the experience of the Development Team members;~~

(~~10~~8) Identification of related interests among the members of the Development Team, Third Party service providers and/or the seller of the property;

(~~11~~9) 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~~10) Review of the proposed Development plan and evaluation of the proposed improvements ~~and architectural design~~;

(~~13~~11) Review of the Applicant's evidence of site control and any potential title issues that may affect site control;

(~~14~~12) Identification ~~and analysis~~ of the site which includes review of the independent site inspection report~~ prepared by a TDHCA staff member~~;

(~~15~~13) 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;

(~~16~~14) Review of market data and ~~market~~ Market ~~study~~ 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;~~.~~

(~~17~~15) Review of the appraisal, if required, for conformance with the Department's Appraisal Rules and Guidelines in §1.34 of this subchapter; and,

(~~18~~16) Review of the Property Condition Assessment, if required, for conformance with the Department's Property Condition Assessment Rules and Guidelines in §1.36 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~~program limit method (if applicable), ~~equity~~ gap/DCR method, or the amount requested by the Applicant as further described in paragraphs (1) through (3) of this subsection.

(1) ~~Eligible Basis~~Program Limit Method. ~~This method is only used for~~ For Developments requesting Housing Tax Credits~~. This~~, this method is based upon calculation of ~~eligible~~ Eligible ~~basis~~ Basis after applying all cost verification measures and program 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. For Developments requesting funding through a Department program other than Housing Tax Credits, this method is based upon calculation of the funding limit based on current program rules at the time of underwriting.

(2) ~~Equity~~ Gap/DCR Method. This method evaluates the amount of funds needed to fill the gap created by total development cost less total non-Department-sourced funds or Tax Credits. In making this determination, the Underwriter resizes any anticipated deferred developer fee down to zero before reducing the amount of Department funds or Tax Credits. In the case of Housing Tax Credits, the syndication proceeds needed to fill the gap in permanent funds 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 t~~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~~ Developments 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. This Net Operating Income is divided by the annual debt service to determine the Debt Coverage Ratio. The Underwriter characterizes a Development as infeasible from an operational standpoint when the 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) Income. The Underwriter evaluates the reasonableness of the Applicant's income estimate by determining the appropriate rental rate per unit based on contract, program and market factors. Miscellaneous income and vacancy and collection loss limits as set forth in subparagraph (B) and (C), respectively, are applied unless well-documented support is provided.

(A) Rental Income. The Program Rent less Utility Allowances ~~and/~~or Market Rent ~~(if the project is not 100% affordable)~~ or Contract Rent 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, Contract Rents are used, if applicable. If Contract Rents do not apply, the lowest Program Rents less Utility Allowance ("net Program Rent") ~~for those units is used. If the~~ or Market Rents, as determined by the Market Analysis ~~,~~ that are lower than the net ~~program~~ Program ~~r~~Rents, ~~then the Market Rents for those units~~ are utilized.

(~~A~~i) Market Rents. The Underwriter reviews the Attribute Adjustment Matrix of ~~Market~~ Rent ~~comparables~~ Comparable Units 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~~ii) Program Rents less Utility Allowance. 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 division responsible for compliance 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.

(I) Water and sewer can only be a tenant-paid utility if the units will be individually metered for such services.

(II) Gas utilities are verified on the building plans and elsewhere in the application when applicable.

(III) Trash allowances paid by the tenant are rare and only considered when the building plans allow for individual exterior receptacles.

(IV) 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.

(iii) Contract Rents. The Underwriter reviews submitted rental assistance contracts to determine the Contract Rents currently applicable to the Development. Documentation supporting the likelihood of continued rental assistance is also reviewed. The underwriting analysis will take into consideration the Applicant's intent to request a Contract Rent increase. At the discretion of the Underwriter, the Applicant proposed rents may be used in the underwriting analysis with the recommendations of the Report conditioned upon receipt of final approval of such increase.

(~~2~~B) 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 as determined by the Underwriter.~~ Exceptions may be made at the discretion of the Underwriter for ~~special uses, such as~~ garage~~s~~ income, pass-through utility payments, pass-through water, sewer and trash payments, cable fees, congregate care/assisted living/elderly facilities, and child care facilities.

(i) Exceptions must be justified by operating history of existing comparable properties ~~and should also be documented as being achievable in the submitted market study~~.

(ii) 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.

(iii) The Applicant's operating expense schedule should reflect an offsetting cost associated with income derived from pass-through utility payments, pass-through water, sewer and trash payments, and cable fees.

(iv) Collection rates of ~~these~~ exceptional fee items will generally be heavily discounted.

(v) 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~~ Eligible ~~basis~~ 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~~C) 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. 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~~D) 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 unless the Applicant's proforma meets the requirements of paragraph (3) of this subsection~~of EGI regardless of the characterization of the Applicant's figure~~.

(~~5~~2) Expenses. The Underwriter evaluates the reasonableness of the Applicant's expense estimate ~~based upon~~by line item comparisons ~~with specific data sources available~~based upon the specifics of each transaction, including the type of Development, the size of the units, and the Applicant's expectations as reflected in their proforma. ~~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~~Development or Third Party quotes specific to the Development 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 also provides ~~the most~~ heavily relied upon data points. ~~The Department also uses d~~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 may be referenced. 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~~ by 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 EGI~~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. 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 EGI~~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. ~~The TDHCA Database is used with a minimum $0.25 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 30%.

(H) Property Tax. Property Tax includes all real and personal property taxes but not payroll taxes. The underwriting tolerance level for this line item is 10%.~~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.~~

(i) The per unit assessed value will be calculated based on the capitalization rate published on the county taxing authority's website. If the county taxing authority does not publish a capitalization rate on the internet, a capitalization rate of 11% will be used.~~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.~~

(ii) Property tax exemptions or proposed payment in lieu of tax~~es~~ agreement (PILOT) must be documented as being reasonably achievable if they are to be considered by the Underwriter. At the discretion of the Underwriter, a property tax exemption that meets known federal, state and local laws may be applied based on the tax-exempt status of the Development Owner and its Affiliates.~~For Community Housing Development Organization ("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. 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 minimum reserves of $200 per unit for new construction and $300 per unit for ~~rehabilitation~~ all other Developments. The Underwriter may require an amount above $300 for Developments other than new construction based on information provided in the PCA. Higher levels of reserves also 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~~not including 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 also 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~~iv) of this subparagraph.

(i) Supportive Services Expense. Supportive Services Expense includes the documented 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 will not evaluate any selection points for this item. The Underwriter's verification will be limited to assuring any ~~documented~~ anticipated costs are included. For all transactions supportive services expenses are considered ~~part of Other Expenses and are considered part of~~in calculating the 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 expense~~s~~ estimate discussed in ~~subsection~~ subparagraph (d)(~~5~~2)(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,~~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~~in calculating the Debt Coverage Ratio.

(iv) Cable Television Expense. Cable Television Expense includes fees charged directly to the owner of the Development to provide cable services to all units. The expense will be considered only if a contract for such services with terms is provided and income derived from cable television fees is included in the projected EGI. Cost of providing cable television in only the community building should be included in General and Administrative Expense as described in subparagraph (d)(2)(A) of this section.

(K) The Department will communicate with and allow for clarification by the Applicant when the overall expense estimate is over five percent greater or less than the Underwriter's estimate. In such a case, the Underwriter will inform the Applicant of the line items that exceed the tolerance levels indicated in this paragraph, but may request additional documentation supporting some, none or all expense line items. If an acceptable rationale for the 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 reasonable in the Report; however, for purposes of calculating DCR the Underwriter will maintain and use its independent calculation unless the Applicant's proforma meets the requirements of paragraph (3) of this subsection.

(~~6~~3) Net Operating Income~~ and Debt Service~~. NOI is the difference between the EGI and total operating expenses. 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~~ his independent calculation of NOI ~~regardless of the characterization of the Applicant's figure. Only if~~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 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 the NOI, the interest rate, term, and Debt Coverage Ratio range affect the determination of the acceptable debt service amount~~.

(4) Debt Coverage Ratio. Debt Coverage Ratio is calculated by dividing Net Operating Income by the sum of loan principal and interest for all permanent sources of funds. Loan principal and interest, or "Debt Service," is calculated based on the terms indicated in the submitted commitments for financing. Terms generally include the amount of initial principal, the interest rate, amortization period, and repayment period. Unusual financing structures and their effect on Debt Service will also be taken into consideration.

(A) Interest Rate. The interest rate used should be the rate documented in the commitment letter.

(i) Commitments indicating a variable rate must provide a detailed breakdown of the component rates comprising the all-in rate. The commitment must also state the lender's underwriting interest rate, or the Applicant must submit a separate statement executed by the lender with an estimate of the interest rate as of the date of the statement.

(ii) The maximum rate ~~that will be~~ allowed for a competitive application cycle is evaluated by the Director of the Department's division responsible for Credit Underwriting Analysis Reports 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~~Amortization Period. ~~The primary debt loan term 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~~ period may be used if the Department's funds are fully amortized over the same period.

(C) Repayment Period. For purposes of projecting the DCR over a 30-year period for Developments with permanent financing structures with balloon payments in less than 30 years, the Underwriter will carry forward Debt Service calculated based on a full amortization and the interest rate stated in the commitment.

(~~C~~D) Acceptable Debt Coverage Ratio Range. The initial 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. ~~In rare instances, such as for~~ HOPE VI and USDA Rural Development transactions may underwrite to a DCR less than 1.10 ~~, the minimum DCR may be less than 1.10~~ based upon documentation of acceptance ~~of such an acceptable DCR~~ from the lender.

(i) For Developments other than HOPE VI and USDA Rural Development transactions, ~~I~~if the DCR is less than the minimum, the recommendations of the Report are conditioned upon a reduced debt service and the Underwriter will make adjustments to the assumed financing structure in the order presented in subclause (I) through (III) of this clause.

(I) A reduction of the interest rate or an increase in the amortization period for TDHCA funded loans;

(II) A reclassification of TDHCA funded loans to reflect grants, if permitted by program rules;

(III) A reduction in the ~~debt service amount~~permanent loan amount for non-TDHCA funded loans ~~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.

(ii) If the DCR is greater than the maximum, the recommendations of the Report are conditioned upon an increase in the debt service and the Underwriter will make adjustments to the assumed financing structure in the order presented in subclause (I) through (III) of this clause.~~amount is recommended~~

(I) A reclassification of TDHCA funded grants to reflect loans, if permitted by program rules;

(II) An increase in the interest rate or a decrease in the amortization period for TDHCA funded loans;

(III) An increase in the permanent loan amount for non-TDHCA funded loans 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.

(iii) For Housing Tax Credit Developments, a reduction in the recommended Tax Credit allocation may be made based on the gap/DCR method described in paragraph (c)(2) of this section.~~, 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.~~

(iv) Although adjustments in Debt Service may become a condition of the Report, future changes in income, expenses, and financing terms could allow for an acceptable DCR.

(~~7~~5) Long Term Feasibility. The Underwriter will evaluate the long term feasibility of the Development by creating a 30-year operating proforma.

(A) A three percent annual growth factor is utilized for income and a four percent annual growth factor is utilized for expenses.

(B) 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 of the Underwriter's estimates~~ and characterized as acceptable or reasonable in the Report~~.

(C) 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. DCR will be calculated based on the guidelines stated in paragraph (e)(4) of this section.

(D) Any Development ~~where the amount of~~with a 30-year proforma, used in the underwriting analysis, reflecting cumulative Cash Flow over the first fifteen years ~~is~~ as insufficient to repay the projected amount of deferred developer fee, amortized in irregular payments at zero percent interest, is characterized as infeasible. ~~and~~ An infeasible Development 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 Development's need for permanent funds and, when applicable, the Development's Eligible Basis is based upon the projected total development costs. The Department's estimate of the ~~Development's~~ total development 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~~ will be used unless the Applicant's total development cost is within 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~~PCA. ~~Where~~ If the Applicant's total development cost is utilized and the Applicant's line item costs are inconsistent with documentation provided in the Application or program rules, the Underwriter may make adjustments to 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 entire~~ty of the~~ proposed 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 within the past three years the seller or previous owner or any Principals of the seller or previous owner 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~~Development Team, 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 §49.9(e)(12) ~~clauses (i) through (iv)~~ of this ~~subparagraph~~ title 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. A reasonable return on the original owner equity, other than tax credit equity, contributed by the current seller at the time of original acquisition, and which did not take the form of a deferred fee or cost, calculated at a rate consistent with the historical returns of similar risks may be considered a holding cost.~~

~~(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, t~~The Underwriter may alternatively prorate the actual or identity of interest sales price based upon ~~the~~ a lower calculated improvement value over the as-is value provided in the appraisal, so long as the ~~improved~~ resulting land value utilized by the Underwriter ~~does not exceed the total as-is appraised value of the entire property~~is not less than the land value indicated in the appraisal or tax assessment.

(2) Off-Site Costs. 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. All off-site costs must be well documented and certified by a Third Party engineer ~~as presented in~~on the required application form~~ to be included in the Underwriter's cost budget~~.

(3) Site Work Costs. ~~If~~ Project site work costs exceeding $7,500 per Unit~~, the~~ must be well documented and certified by a Third Party engineer on the required application form~~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 Applicants seeking Tax Credits, documentation in keeping with §49.9(f)(6)(G) of this title will be utilized in calculating eligible basis.~~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 *Marshall and Swift Residential Cost Handbook* and historical final cost certifications of all previous housing tax credit allocations to estimate the direct construction cost for a new construction Development. If the Applicant's estimate is more than five percent greater or less than the Underwriter's estimate, the Underwriter will attempt to reconcile this concern and ultimately identify this as a cost concern in the Report.

(i) ~~t~~The "Average Quality" multiple~~ or~~, townhouse, or single family 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 will be used to estimate direct construction costs. 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.~~

(ii) If the difference in the Applicant's direct cost estimate and the direct construction cost estimate detailed in clause (i) of this subparagraph is more than 5%, ~~The~~ the Underwriter shall also evaluate the direct construction cost of the Development based on acceptable cost parameters as adjusted for inflation and as established by historical final cost certifications of all previous housing tax credit allocations for:

(~~i~~I) the county in which the Development is to be located, or

(~~ii~~II) if cost certifications are unavailable under clause (i) of this subparagraph, the uniform state service region in which the Development is to be located.

(B) Rehabilitation Costs. In the case where the Applicant has provided ~~Third Party signed bids with a work write-up from contractors or~~ a PCA ~~estimates from certified or licensed professionals~~ which ~~are~~ is inconsistent with the Applicant's figures as proposed in the ~~project~~development cost schedule, the Underwriter may request a supplement executed by the PCA provider supporting the Applicant's estimate and detailing the difference in costs. If said supplement is not provided or the Underwriter determines that the reasons for the initial difference in costs are not well-documented, the Underwriter utilizes the ~~Third Party~~initial PCA 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.~~All contingencies identified in the Applicant project cost schedule will be added to Hard Cost Contingency with the total limited to the guidelines detailed in this paragraph. Hard Cost 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%).

(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~~ percentages are ~~based upon~~applied to the sum of the direct construction 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~~TX-USDA-RHS~~ USDA~~, the combination of builder's general requirements, builder's overhead, and builder's profit should not exceed the lower of TDHCA or ~~TxRD~~TX-USDA-RHS~~ USDA~~ requirements.

(7) Developer Fee Limits. For Tax Credit Developments, the development cost associated with developer~~'s~~ fees included in Eligible Basis cannot exceed fifteen percent (15%) of the project's Total

Eligible Basis less developer fees, as defined in ~~Chapter 50~~the QAP ~~of this title~~, as proposed ~~(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 d~~Developer fee claimed must be proportionate to the work for which it is earned. In the case of an identity of interest transaction requesting acquisition Tax Credits, no developer fee attributable to acquisition of the Development will be included in Eligible Basis. For non-Tax Credit Developments, the percentage remains the same but is based upon total development costs less~~:~~ the sum of the fee itself, land costs, the costs of permanent financing, excessive construction period financing described in paragraph (f)(8) of this ~~sub~~section, ~~and~~ reserves, and any other identity of interest acquisition cost.

(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 project cost schedule if it is within the range of two 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~~. ~~i~~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 from Eligible ~~basis~~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 occupancy in a previous Development.~~

(~~2~~1) Credit Reports. The Underwriter will characterize the Development as "high risk" if the Applicant, General Partner, Developer, anticipated Guarantor or Principals thereof have a credit score which reflects a 40% or higher potential default rate.

(~~3~~2) 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 in accordance with the Department's program rules.

(A) ~~The financial statement for individuals~~Individuals. The Underwriter will evaluate and discuss financial statements for individuals in a confidential portion of the Report. The Development may be characterized as "high risk" if the Developer, anticipated Guarantor or Principals thereof is determined to have limited net worth or significant lack of liquidity.~~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.~~

(B) ~~If submitting partnership~~ Partnerships and ~~corporate~~ Corporations. The Underwriter will evaluate and discuss financial statements for partnerships and corporations in the Report. The Development may be characterized as "high risk" if the Developer, anticipated Guarantor or Principals thereof is determined to have limited net worth or significant lack of liquidity.~~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.~~

(D) If the Development is characterized as a high risk for either lack of previous experience as determined by the TDHCA division responsible for compliance or a higher potential default rate is identified as described in paragraph (1) or (2) of this subsection, the Report must condition any potential award upon the identification and inclusion of additional Development partners who can meet the Department's guidelines.

~~(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, survey 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, the Report will include a condition that:

(A) T~~t~~he Applicant must pursue and receive a Letter of Map Amendment (LOMA) or Letter of Map Revision (LOMR-F); or ~~require~~

(B) T~~t~~he Applicant ~~to~~must identify the cost of flood insurance for the buildings and for the tenant's contents for buildings within the 100-year floodplain; or

(C) The Development must be designed to comply with the QAP, as proposed.

(2) Inclusive Capture Rate. The Underwriter will not recommend the approval of funds to new Developments requesting funds ~~where~~ if the anticipated inclusive capture rate, as defined in §1.33 of this title, exceeds ~~is in excess of~~ 25% for the Primary Market unless: ~~the market is a rural market or the units are targeted toward the elderly.~~

(A) ~~In rural markets and for~~The Development is classified as a Rural Development according to the QAP, as proposed, in which case an inclusive capture rate of 100% is acceptable; or~~s~~

(B) ~~that are~~The Development is strictly targeted to the elderly or transitional populations, in which case an inclusive capture rate of 100% is acceptable; or ~~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~~.

(C) The Development is comprised of Affordable Housing which replaces previously existing substandard Affordable Housing within the same ~~Submarket~~ Primary Market Area on a Unit for Unit basis, and which gives the displaced tenants of the previously existing Affordable Housing a leasing preference, ~~is~~in which case an ~~excepted from these~~ inclusive capture rate ~~restrictions~~is not applicable.

~~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 and may substitute the Underwriter's independent calculation based on the data provided in the Market Analysis or obtained through the Market~~

~~Analysis performed for other Developments or other independently verified data obtained by the Underwriter regarding the market area. This may include revising the definitional boundaries of the Primary Market Area defined by the Market Analyst. The Underwriter 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 Inclusive Capture Rate are identified in §1.33 of this subchapter.~~

(3) The Underwriter will ~~verify that no other developments of the same type within one linear mile have been funded by the Department in the three years prior to the application as provided in Section 2306.6703, Texas Government Code and that no other Developments within one linear mile have been funded in the past twelve months as provided in Section 2306.6711 of the Texas Government Code. The Underwriter will~~ identify in the report any ~~other~~ Developments funded or known and anticipated to be eligible for funding within one linear mile of the subject.

(~~3~~4) Supportive Housing. The unique development and operating characteristics of Supportive Housing Developments may require special consideration ~~be given~~ in the following areas ~~when underwriting these Developments~~:

(A) Operating Income~~:~~ ~~-~~. The extremely-low-income tenant population typically targeted ~~with~~ by a Supportive Housing Development may include deep-skewing of rents to well below the 50% AMI level or other maximum rent limits established by the Department. The Underwriter should utilize the Applicant's proposed rents in the Report as long as such rents are at or below ~~and~~ the maximum rent limit ~~rent propsed~~proposed for the units and equal to any project based rental subsidy rent to be utilized for the Development. ~~The initial rents should be structured, however, such that they satisfy the anticipated operating expenses by some margin. The use of project based rental or ongoing operating subsidies and/or supplemental fundraising to offset operating expenses is often critical for a Supportive Housing Development.~~

(B) Operating Expenses~~:—~~. A Supportive Housing Development may have significantly higher expenses for payroll, security, resident support services, or other items than typical Affordable Housing Developments. The Underwriter will rely heavily upon the historical operating expenses of other Supportive Housing Developments provided by the Applicant or otherwise available to the Underwriter.~~, The Applicant should provide substantiation from existing Supportive Housing Developments that they operate in the form of several years of historical operating expenses with sufficient detail for individual expense line items as identified in the current proforma operating expense form promulgated by the Department. Applicant's with no historical experience of their own are encouraged to provide evidence of historical operating information from comparable properties, estimates or quotes from Third Party service providers (e.g., insurance, tenant services), or other pertinent information.~~

(C) DCR and Long Term Feasibility~~:—~~. Supportive Housing Developments may be exempted from the DCR requirements of paragraph ~~Section 1.32.~~(d)(4)~~(6)(C)~~ of this section~~subchapter~~ if the Development is anticipated to operate without conventional debt. Applicants must provide evidence of sufficient financial resources to offset any projected 30-year cumulative negative cash flows. Such evidence will be evaluated by the Underwriter on a case-by-case basis to satisfy the Department's long term feasibility requirements and may take the form of one or a combination of the following: executed subsidy commitment(s), set-aside of Applicant's financial resources, to be substantiated by an audited financial statement evidencing sufficient resources, and/or proof of annual fundraising success sufficient to fill anticipated operating losses. ~~Where~~ If either a set aside of financial resources or annual fundraising are used to evidence the long term feasibility of a Supportive Housing Development, a resolution from the Applicant's governing board ~~should~~ must be provided confirming their irrevocable commitment to the provision of these funds and activities.

(D) Development Costs~~:—~~. For Supportive Housing that is styled as efficiencies,~~y~~ the Underwriter may use "Average Quality" dormitory costs from the *Marshall & Swift Valuation Service*, with adjustments for amenities and/or quality as evidenced in the application, as a base cost in evaluating the reasonableness of the Applicant's direct construction cost estimate for new construction Developments.

(h) Work Out Development. Developments that are underwritten subsequent to Board approval in order to refinance or gain relief from restrictions may be considered infeasible based on the guidelines in this section, but may be characterized as "the best available option" or "acceptable available option" depending on the circumstances and subject to the discretion of the Underwriter as long as the option analyzed and recommended is more likely to achieve a better financial outcome for the property and the Department than the status quo.

§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) Upon completion of the report, an electronic copy should be transmitted to TDHCA, and an original hard copy must be submitted.

(c) 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. All data presented should reflect the most current information available. The analysis must clearly lead the reader to the same or similar conclusion(s) reached by the Market Analyst. A conclusion and recommendation section should be included at the end of the report.

(~~c~~d) 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 list based on the guidelines set forth in paragraphs (1) through (3) of this subsection.

(1) Market ~~analysts~~ 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 list.

(A) 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.

(B) To be reinstated as an approved Market Analyst, the Market Analyst must amend the previous report to remove all discrepancies or submit a new sample Market Analysis that conforms to the Department's Market Analysis Rules and Guidelines. ~~This new~~The submitted 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~~e) Market Analysis Contents. 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 or in the case that TDHCA is not the client, acknowledgement that TDHCA is granted full authority to rely

on the findings and conclusions of the report, 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. In addition, a section discussing the conclusions and recommendations of the Market Analysis must be included.

(3) Table of Contents. Number the exhibits included with the report for easy reference.

(4) Summary Form. Complete and include the most current 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/rea/~~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,~~/~~ and geographical boundaries whenever possible. Furthermore, the Primary Market for a Development chosen by the Market Analyst ~~will generally be most informative if it~~should contain~~s~~ no more than ~~250,000~~100,000 persons~~, though~~; however, a Primary Market with more residents with a maximum limit of 250,000 persons in the base demographic year 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 plus all existing, under construction and proposed Affordable Housing developments clearly identified must be provided. A separate scaled distance map of the Primary Market that clearly identifies the subject and the location and distances of all Local Amenities described in ~~§50.9(g)(4) of this title~~the QAP, as proposed, 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~~92273. 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 Rent Comparable Units in excess of ~~15~~25% suggest a weak comparable. Total adjustments in excess of 15% must be supported with additional narrative. In Primary Market Areas lacking sufficient rental comparables, it may be necessary for the Market Analyst to collect data from comparable properties in markets with similar characteristics and make quantifiable location adjustments. The Department also ~~encourages~~ requires close examination of the overall use of concessions in the Primary Market Area and the effect of the identified concessions on effective Market Rents.

~~(B) Provide an Affordability Analysis of the comparable unrestricted units.~~

(~~C~~B) Analyze occupancy rates of each of the comparable properties and occupancy trends by bedroom type and income restricted level (percentage of AMI). Physical occupancy ~~should be compared to~~and economic occupancy should be clearly identified.

(~~D~~C) Provide annual turnover rates of each of the comparable properties and turnover trends by property class.

(~~E~~D) Provide absorption rates for each of the comparable properties and absorption trends by property class.

(~~F~~E) ~~The comparable developments must indicate current research for the proposed property type.~~ The proposed property assumptions must be supported by current information from comparable developments within the PMA. 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 rental households OR confirmed targeted income-eligible rental household growth due to new employment growth.

(B) Quantify existing household demand due to documented turnover of existing targeted income-eligible rental households OR documented rent over-burdened targeted income-eligible rental households that would not be rent over-burdened in the proposed Development and documented targeted income-eligible rental 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 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'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 properties with priority, as defined in §49.9(h) of this title, over the subject that have made application to TDHCA and have not been presented to the TDHCA Board for decision 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. If any proposed or existing Developments are not included by the Market Analyst, withdrawn from application, subsequently found to not have priority over the subject, or not approved by the TDHCA Board, the Underwriter will adjust the inclusive capture rate accordingly.

(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.

(G) Identify any other Developments located within one linear mile of the proposed site and awarded funds by the Department in the three years prior to the Application Acceptance Period.

(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~~f) 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 comparable~~s must rely on current research for this~~ rental rate or sales data must be current for each 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~~g) 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~~h) All 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) Upon completion of the report, an electronic copy should be transmitted to TDHCA, and an original hard copy must be submitted.

(c) Value Estimates.

(1) All appraisals shall contain a separate estimate of ~~land~~ the "as vacant" market value of the underlying land, based upon current sales comparables.

(2) Appraisal assignments for new construction~~, which~~ are required to provide an "as completed"~~a future~~ value of ~~to be completed~~the proposed structures.~~,~~ These reports shall provide an "as restricted with favorable financing" value as well as an "unrestricted market" value.

(3) ~~Properties~~ Reports on 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~~

(4) If required the appraiser must include a separate assessment of personal property, furniture, fixtures, and equipment (FF&E) and/or intangible items. This separate assessment may be required 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~~d) 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 unless the Department's program rules indicate otherwise.

(~~d~~e) Appraiser Qualifications. The qualifications of each appraiser are determined and approved on a case-by-case basis by the Director of ~~Credit Underwriting~~Real Estate Analysis ~~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~~ must be appropriately certified or licensed for the type of appraisal being performed 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 the type of appraisal submitted (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 or acknowledgement that THDCA is granted full authority to rely on the findings of the report, 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 improvement 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) though (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 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 and current occupancy level 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.

(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) General Provisions. The Environmental Site Assessments (ESA) prepared for the Department should be conducted and reported in conformity with the standards of the American Society for Testing and Materials. The initial report should conform with the Standard Practice for Environmental Site Assessments: Phase I Assessment Process (ASTM Standard Designation: E 1527). Any subsequent reports should also conform to ASTM standards 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 a Third Party environmental professional at the expense of the Applicant, and addressed to TDHCA as a User of the report (as defined by ASTM standards)~~the client~~. Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The ESA report should also include a statement that the person or company preparing the ESA report will not materially benefit from the Development in any other way than receiving a fee for performing the Environmental Site Assessment, and that the fee is in no way contingent upon the outcome of the assessment.

(b) In addition to ASTM requirements, ~~The~~ the report must ~~include, but is not limited to:~~

(1) ~~A review of records, interviews with people knowledgeable about the property;~~

~~(2) 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;~~

~~(3) A~~ State if a noise study is recommended for a property and ~~located adjacent to or in close~~identify its proximity to industrial zones, major highways, active rail lines, ~~and~~ civil and military airfields, or other potential sources of excessive noise;

(~~4~~2) ~~A~~ Provide 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;

(~~5~~3) ~~A~~ Provide 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.

(4) ~~A~~ Provide a narrative 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;

(~~6~~5) ~~An assessment of the potential threat~~State if testing for asbestos containing materials (ACMs) ~~to be present on the property, and a recommendation as to whether specific testing for ACMs would be~~

~~necessary as required by state law~~would be required pursuant to local, state, and federal laws, or recommended due to any other consideration;

(~~7~~6) ~~An assessment of the potential presence of~~State if testing for Lead Based Paint would be required pursuant to local, state, and federal laws, or recommended due to any other consideration~~on the property, and a recommendation as to whether specific testing in accordance with any state and federal laws would be necessary~~;

(7) State if testing for lead in the drinking water would be required pursuant to local, state, and federal laws, or recommended due to any other consideration; and

(8) ~~An assessment of the~~Assess the potential for the presence of Radon on the property, and ~~a~~ recommend~~ation as to whether~~ specific testing ~~would be~~if necessary.

(c) 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.

(d) 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.

(e) For Developments in programs that allow a waiver of the Phase I ESA such as a ~~TxRD~~TX-USDA-RHS funded Development the Development Owners 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.

(f) 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.

§1.36 Property Condition Assessment Guidelines

(a) General Provisions. The objective of the Property Condition Assessment (the PCA) is to provide cost estimates for repairs and replacements which are necessary immediately, and for repairs and replacements which are expected to be required throughout the term of the regulatory period. The PCA prepared for the Department should be conducted and reported in conformity with the American Society for Testing and Materials "Standard Guide for Property Condition Assessments: Baseline Property Condition Assessment Process (ASTM Standard Designation: E 2018)" except as provided for in subsections (b) and (c) of this section. The PCA must include discussion and analysis of the following:

(1) Useful Life Estimates.~~:~~ For each system and component of the property the PCA should assess the condition of the system or component, and estimate its remaining useful life, citing the basis or the source from which such estimate is derived;

(2) Code Compliance.~~:~~ The PCA should review and document any known violations of any applicable federal, state, or local codes. In developing the cost estimates specified herein, it is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA adequately considers any and all applicable federal, state, and local laws and regulations which may govern any work performed to the subject property;

(3) Program Rules.~~:~~ The PCA should assess the extent to which any systems or components must be modified, repaired, or replaced in order to comply with any specific requirements of the housing program under which the Development is proposed to be financed, particular consideration being given to accessibility requirements, the Department's Housing Quality Standards, and any scoring criteria for which the Applicant may claim points;

(4) Immediate Repairs.~~:~~ Systems or components which are expected to have a remaining useful life of less than one year, which are found to be in violation of any applicable codes, which must be modified, repaired or replaced in order to satisfy program rules, or which are otherwise in a state of deferred maintenance or pose health and safety hazards should be considered necessary immediate repairs. The PCA should estimate the costs associated with the repair, replacement, or maintenance of each system or component which is identified as being an immediate need, citing the basis or the source from which such cost estimate is derived;

(5) Expected Repairs Over Time.~~:~~ The term during which the PCA should estimate the cost of expected repairs over time should equal the longest term of any land use or regulatory restrictions which

are, or will be, associated with the provision of housing on the property. The PCA should estimate the periodic costs which would be expected to arise for repairing or replacing each system or component or the property, based ~~Based~~ on the estimated remaining useful life of ~~each~~ such system or component~~, the PCA should estimate the periodic costs which would be expected to arise during the regulatory period for repairing or replacing such system or component~~. The PCA should include a table of the estimated long term costs which identifies in each line the individual component of the property being examined, and in each column the year during the term in ~~the regulatory period during~~ which the costs are estimated to be incurred. The estimated costs for future years should be given in both present dollar values and anticipated future dollar values assuming a reasonable inflation factor of not less than 2.5% per annum; and

(6) Obsolescence.~~:~~ If the development plan calls for additional modification or replacement of certain systems, components, or other aspects of the property strictly due to functional obsolescence or external market obsolescence, such items should be identified and the nature or source of the obsolescence discussed. The associated costs may be included either with immediate repairs or with expected repairs over time as appropriate. It is the responsibility of the Housing Sponsor or Applicant to ensure that the PCA provider is apprised of all development activities associated with the proposed transaction, and to ensure consistency between the PCA, and the proposed development costs.

(b) The Department will also accept copies of reports commissioned or required by the primary lender for a proposed transaction, which have been prepared in accordance with:

(1) Fannie Mae's criteria for Physical Needs Assessments,

(2) Federal Housing Administration's criteria for Project Capital Needs Assessments,

(3) Freddie Mac's guidelines for Engineering and Property Condition Reports, or

(4) Standard and Poor's Property Condition Assessment Criteria: Guidelines for Conducting Property Condition Assessments, Multifamily Buildings.

(c) The Department may consider for acceptance reports prepared according to other standards which are not specifically named above in subsection (b) of this subsection, if a copy of such standards or a sample report have been provided for the Department's review, if such standards are widely used, and if all other criteria and requirements described in this section are satisfied.

(d) The PCA shall be conducted by a Third Party at the expense of the Applicant, and addressed to TDHCA as the client. Copies of reports provided to TDHCA which were commissioned by other financial institutions should address TDHCA as a co-recipient of the report, or letters from both the provider and the recipient of the report should be submitted extending reliance on the report to TDHCA. The PCA report should also include a statement that the person or company preparing the PCA report will not materially benefit from the Development in any other way than receiving a fee for performing the PCA. The PCA should be signed and dated by the Third Party report provider not more than six months prior to the date of the application. However, an original report may be accepted up to 24 months old if a review inspection and update letter dated less than six months from the date of the application is signed by the original report provider, and that such letter identifies specific details of necessary amendments to the original report or specifies that no such amendments are necessary.

§1.37. Reserve for Replacement Rules and Guidelines

(a) General Provisions. The Department will require Developments to provide regular maintenance to keep housing sanitary, safe and decent by maintaining a reserve for replacement in accordance with §2306.186. The reserve must be established for each unit in a Development of 25 or more rental units, regardless of the amount of rent charged for the unit. The Department shall, through cooperation of its divisions responsible for asset management and compliance, ensure compliance with this section.

(b) The First Lien Lender shall maintain the reserve account through an escrow agent acceptable to the First Lien Lender to hold reserve funds in accordance with an executed escrow agreement and the rules set forth in this section and §2306.186.

(1) Where there is a First Lien Lender other than the Department or a Bank Trustee as a result of a bond indenture or tax credit syndication, the Department shall

(A) Be a required signatory party in all escrow agreements for the maintenance of reserve funds and the accounts held for the purpose of maintaining the required reserve funds;

(B) Be given notice of any asset management findings or reports, transfer of money in reserve accounts to fund necessary repairs, and any financial data and other information pursuant to the oversight of the Reserve Account within 30 days of any receipt or determination thereof;

(C) Subordinate its rights and responsibilities under the escrow agreement, including those described in this subsection, to the First Lien Lender or Bank Trustee through a subordination agreement subject to its ability to do so under the law and normal and customary limitations for fraud and other conditions contained in the Department's standard subordination clause agreements as modified from time to time, to include subsection (c) of this section.

(2) The escrow agreement and subordination agreement shall further specify the time and circumstances under which the Department can exercise its rights under the escrow agreement in order to fulfill its obligations under §2306.186 and as described in this section.

(3) Where the Department is the First Lien Lender and there is no Bank Trustee as a result of a bond indenture or tax credit syndication or where there is no First Lien Lender but the allocation of funds by the Department and §2306.186 requires that the Department oversee a Reserve Account, the Owner shall provide at their sole expense for appointment of an escrow agent acceptable to the Department to act as Bank Trustee as necessary under this section. The Department shall retain the right to replace the escrow agent with another Bank Trustee or act as escrow agent at a cost plus fee payable by the Owner due to breach of the escrow agent's responsibilities or otherwise with 30 days prior notice of all parties to the escrow agreement.

(c) If the Department is not the First Lien Lender with respect to the Development, each Owner receiving Department assistance for multifamily rental housing shall submit on an annual basis within the Department's required Owner's Financial Certification packet a signed certification by the First Lien Lender including:

(1) Reserve for replacement requirements under the first lien loan agreement;

(2) Monitoring standards established by the First Lien Lender to ensure compliance with the established reserve for replacement requirements; and

(3) A statement by the First Lien Lender

(A) That the Development has met all established reserve for replacement requirements; or

(B) Of the plan of action to bring the Development in compliance with all established reserve for replacement requirements, if necessary.

(d) If the Development meets the minimum unit size described in subsection (a) of this section and the establishment of a Reserve Account for repairs has not been required by the First Lien Lender or Bank Trustee, each Owner receiving Department assistance for multifamily rental housing shall set aside the repair reserve amount as described in paragraphs (e)(1) through (3) of this section through the date described in paragraph (f)(2) of this section through the appointment of an escrow agent as further described in paragraph (b)(3) of this section.

(e) If the Department is the First Lien Lender with respect to the Development, each Owner receiving Department assistance for multifamily rental housing shall deposit annually into a Reserve Account through the date described in paragraph (f)(2) of this section:

(1) For new construction Developments:

(A) Not less than $150 per unit per year for units one to five years old; and

(B) Not less than $200 per unit per year for units six or more years old.

(2) For rehabilitation Developments:

(A) An amount per unit per year established by the Department's division responsible for credit underwriting based on the information presented in a Property Condition Assessment in conformance with §1.36 of this subchapter; and

(B) Not less than $300 per unit per year.

(3) For either new construction or rehabilitation Developments, the Owner of a multifamily rental housing Development shall contract for a third-party Property Condition Assessment meeting the requirements of §1.36 of this subchapter and the Department will reanalyze the annual reserve requirement based on the findings and other support documentation.

(A) A Property Condition Assessment will be conducted:

(i) At appropriate intervals that are consistent with requirements of the First Lien Lender, other than the Department; or

(ii) At least once during each five-year period beginning with the 11th year after the awarding of any financial assistance for the Development by the Department, if the Department is the First Lien Lender or the First Lien Lender does not require a third-party Property Condition Assessment.

(B) Submission by the Owner to the Department will occur within 30 days of completion of the Property Condition Assessment and must include:

(i) The complete Property Condition Assessment;

(ii) First Lien Lender and/or Owner response to the findings of the Property Condition Assessment;

(iii) Documentation of repairs made as a result of the Property Condition Assessment; and

(iv) Documentation of adjustments to the amounts held in the replacement Reserve Account based upon the Property Condition Assessment.

(f) A Land Use Restriction Agreement or restrictive covenant between the Owner and the Department must require:

(1) The Owner to begin making annual deposits to the reserve account on the later of:

(A) The date that occupancy of the Development stabilizes as defined by the First Lien Lender or in the absence of a First Lien Lender other than the Department, the date the property is at least 90% occupied; or

(B) The date that permanent financing for the Development is completely in place as defined by the First Lien Lender or in the absence of a First Lien Lender other than the Department, the date when the permanent loan is executed and funded.

(2) The Owner to continue making deposits until the earliest of the following dates:

(A) The date on which the Owner suffers a total casualty loss with respect to the Development;

(B) The date on which the Development becomes functionally obsolete, if the Development cannot be or is not restored;

(C) The date on which the Development is demolished;

(D) The date on which the Development ceases to be used as a multifamily rental property; or

(E) The later of

(i) The end of the affordability period specified by the Land Use Restriction Agreement or restrictive covenant; or

(ii) The end of the repayment period of the first lien loan.

(g) The duties of the Owner of a multifamily rental housing Development under this section cease on the date of a change in ownership of the Development; however, the subsequent Owner of the Development is subject to the requirements of this section.

(h) If the Department is the First Lien Lender with respect to the Development or the First Lien Lender does not require establishment of a Reserve Account, the Owner receiving Department assistance for multifamily rental housing shall submit on an annual basis within the Department's required Owner's Financial Certification packet:

(1) Financial statements, audited if available, with clear identification of the replacement Reserve Account balance and all capital improvements to the Development within the fiscal year;

(2) Identification of costs other than capital improvements funded by the replacement Reserve Account; and

(3) Signed statement of cause for:

(A) Use of replacement Reserve Account for expenses other than necessary repairs, including property taxes or insurance;

(B) Deposits to the replacement Reserve Account below the Department's or First Lien Lender's mandatory levels as defined in subsections (c), (d) and (e) of this section; and

(C) Failure to make a required deposit.

(i) If a request for extension or waiver is not approved by the Department, Department action, including a penalty of up to $200 per dwelling unit in the Development and/or characterization of the Development as Materially Non-Compliant, as defined in §60.1 of this title, may be taken when:

(1) A Reserve Account, as described in this section, has not been established for the Development;

(2) The Department is not a party to the escrow agreement for the Reserve Account;

(3) Money in the Reserve Account

(A) Is used for expenses other than necessary repairs, including property taxes or insurance; or

(B) Falls below mandatory deposit levels;

(4) Owner fails to make a required deposit;

(5) Owner fails to contract for the third party Property Condition Assessment as required under paragraph (e)(3) of this section; or

(6) Owner fails to make necessary repairs, as defined in subsection (k) of this section.

(j) On a case by case basis, the Department may determine that the money in the Reserve Account may:

(1) Be used for expenses other than necessary repairs, including property taxes or insurance, if:

(A) Development income before payment of return to Owner or deferred developer fee is insufficient to meet operating expense and debt service requirements; and

(B) The funds withdrawn from the Reserve Account are replaced as cashflow after payment of expenses, but before payment of return to Owner or developer fee is available.

(2) Fall below mandatory deposit levels without resulting in Department action, if:

(A) Development income after payment of operating expenses, but before payment of return to Owner or deferred developer fee is insufficient to fund the mandatory deposit levels; and

(B) Subsequent deposits to the Reserve Account exceed mandatory deposit levels as cashflow after payment of operating expenses, but before payment of return to Owner or deferred developer fee is available until the Reserve Account has been replenished to the mandatory deposit level less capital expenses to date.

(k) The Department or its agent may make repairs to the Development if the Owner fails to complete necessary repairs indicated in the submitted Property Condition Assessment or identified by physical inspection. Repairs may be deemed necessary if the Development is notified of the Owner's failure to comply with federal, state and/or local health, safety, or building code.

(1) Payment for necessary repairs must be made directly by the Owner or through a replacement Reserve Account established for the Development under this section.

(2) The Department or its agent will produce a Request for Bids to hire a contractor to complete and oversee necessary repairs.

(l) This section does not apply to a Development for which the Owner is required to maintain a Reserve Account under any other provision of federal or state law.

PORTFOLIO MANAGEMENT AND COMPLIANCE

BOARD ACTION REQUEST
September 9, 2004

Action Item

Request approval of repeal of Title 10, Part 1, Chapter 60, Subchapter A, Texas Administrative Code- Compliance Monitoring and Asset Management, and approval of New Title 10, Part 1, Chapter 60, Subchapter A, Texas Administrative Code, Compliance Monitoring, Section 60.1 Compliance Monitoring Policies and Procedures.

Required Action

Approve the repeal of the current Policy and approve the attached Policy for release for public comment.

Background and Recommendations

Attached are the proposed Compliance Monitoring Policies and Procedures that reflect staff's recommendations for revisions. The document provided reflects the proposed amendments in a "blackline" version showing the proposed changes from the rules currently in effect. Due to the nature of the changes in the proposed Rule, repeal of the current Rule and adoption of the revised Rule is requested to make review of the published Rule less burdensome. The changes made are sufficiently extensive to make repealing the current Rules and adopting new Rules more efficient, especially in preparation for posting in the Texas Register.

Changes made are mainly to clarify and simplify wording and to incorporate the changing role of the Portfolio Management and Compliance Division. The goal is to have clearer, more understandable rules in place and eliminate confusion and misinterpretation.

Throughout the document the words "project" and "property" are replaced with "development". Housing Tax Credit and HTC have replaced Low income Housing Tax Credit per the revised usage by the Department. The Division, when named, is called the Portfolio Management and Compliance Division. Developments are generally listed as "administered by" rather than "funded" by the Department to clearly include all programs, especially the FDIC Affordable Housing Program.

Highlights of changes follow. Substantial changes to rule since the August Board meeting are shown in bold. (page references to the black-line version of the proposed rule):

a. Definitions are expanded to include:

1. "Development" ((4) on p. 3), (NOTE: the definition of Development is not the same in the compliance rules and the QAP. This is because the QAP only defines a HTC development. The compliance rules define all developments in our portfolio)
2. "LURA" ((6) on p. 3) (NOTE: the definition of LURA differs slightly from the QAP definition. Again, this is because the QAP only refers to HTC LURAs), and
3. "unit" ((8) on p. 4).

b. The definition of Material Noncompliance is split to account for HTC scores being building based, and scores for other programs are unit-by-unit. ((7) on p. 3)

c. Construction inspection section expanded. ((c) pp. 4-6)

d. Reserve Deposit section removed. This has been added to the Underwriting section as §1.37 (p.6)

e. Required electronic reporting is mentioned in:

1. the reporting section ((i) on p.8),
2. in the discussion of submission of the Unit Status Reports ((5) on p.9), and
3. in the Fair Housing Sponsor Report ((j)(1) on p.9).

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f. The sections on the Department database are deleted. (pp. 7-8)

g. Additional "Notices to the Department" are added. ((p) on p.15)

h. HOME and HTF Utility Allowances are addressed. ((q)(2) on p.16)

i. Material noncompliance is addressed by program. ((r) on p. 16)

j. Noncompliance items are expanded. In addition, stronger language has been added to make clear what events constitute material noncompliance. This language has been added since the August Board Meeting. (pp. 17-21)

k. Alternative Dispute Resolution procedures are added. ((s) on p.21)

l. Liability disclaimer has additional language. ((t) on p. 21)

m. Addition of a Board waiver. This language has been added since the August Board meeting. ((v) on p. 21)

Upon approval by the Board, notice of the repeal of the current Rule and the proposed Rule will be published in the Texas Register and released to the public for comment. Public hearings will be held on the proposed Rule, as well as the other rules before the Board at this meeting, from approximately September 27 to October 8, 2004. The final rule will come before the Board in November 2004.

Texas Administrative Code

TITLE 10	COMMUNITY DEVELOPMENT
PART 1	TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
CHAPTER 60	COMPLIANCE ADMINISTRATION
SUBCHAPTER A	COMPLIANCE MONITORING ~~AND ASSET MANAGEMENT~~
RULE §60.1	**Compliance Monitoring Policies and Procedures**

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(a) Purpose. The Department monitors rental developments receiving assistance ~~from the Department, including Low Income Tax Credits, during the construction period and continuing~~ under the Housing Tax Credit program ("HTC"), the HOME program, the Tax Exempt Bond program, the Housing Trust Fund program, and the Federal Deposit ~~I~~Insurance Corporation's Affordable H~~h~~ousing ~~p~~Program. Compliance monitoring begins with the commencement of construction and continues to the end of the long term Affordability Period. The ~~compliance division~~ Portfolio Management and Compliance Division (PMC) monitors to ensure owners comply with the program rules and regulations, Chapter ~~§2306~~2306 of the Texas Government Code, the Land Use Restriction Agreement (LURA) requirements and ~~any~~ conditions and representations imposed by the application or award of funds by the Department. The ~~Portfolio,~~ Portfolio Management and Compliance Division's processes, eligibility procedures, forms, and ~~further~~ additional programmatic details are set out in ~~the~~ individual program regulations and in *Owner's Compliance Manual(s)* prepared by the ~~Department's Portfolio,~~ Portfolio Management and Compliance Division, as amended from time to time. The rules under this section address processes, reports and records that ~~may~~ are ~~be~~ required ~~by the Department~~ to ~~enable~~ facilitate the Department's ~~to~~ monitoring of a Development for ~~violations~~ compliance ~~of the~~ with a program's federal and state rules and regulations. These rules do not address forms and other records that ~~may be~~ may be required of Development Owners by the Internal Revenue Service ("IRS") or other governmental entities more generally, whether for purposes of filing annual returns or supporting Development Owner tax positions during an IRS or other governmental audit.

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

(1) Affordability Period. The affordability period commences ~~on the effective date~~ as specified ~~of~~ in the ~~Land Use Restriction Agreement~~LURA, or federal regulation or commences on the first day of the compliance period as defined by §42(i) (1) of the Internal Revenue Code and continues through the appropriate program's affordability requirements or termination of the LURA, which ever is later. The term of the affordability period shall be imposed by LURA or other deed restriction and may be terminated upon foreclosure. During this period the Department shall monitor to ensure compliance with programmatic rules, regulations and application representations.

(2) Board means the governing board of the Texas Department of Housing and

Community Affairs.

(3) Department means the Texas Department of Housing and Community Affairs, an official and public agency of the State of Texas pursuant to Chapter 2306 of the Texas Government Code. .

(4) **Development** means a property or work or a project, building, structure, facility, or undertaking, whether existing, new construction, remodeling, improvement, or rehabilitation, that meets or is designed to meet minimum property standards required by the Department and that is financed under the provisions of Chapter 2306, Texas Government Code, for the primary purpose of providing sanitary, decent, and safe dwelling accommodations for rent, lease, use, or purchase by individuals and families of low and very low income and families of moderate income in need of housing. The term includes:

(A) buildings, structures, land, equipment, facilities, or other real or personal properties that are necessary, convenient, or desirable appurtenances, including streets, water, sewers, utilities, parks, site preparation, landscaping, stores, offices, and other non-housing facilities, such as administrative, community, and recreational facilities the Department determines to be necessary, convenient, or desirable appurtenances;

(B) single and multifamily dwellings in rural and urban areas.

(C) a proposed qualified low income housing project, as defined by Section 42(g), Internal Revenue Code of 1986 (26 U.S.C. Section 42(g)), that consists of one or more buildings containing multiple units, that is financed under a common plan, and that is owned by the same person for federal tax purposes, including a project consisting of multiple buildings that are located on scattered sites and contain only rent-restricted units.

~~(4)~~ (5) Low Income Unit means a unit that ~~complies with the income restrictions or occupancy requirements of the housing programs administered by the Department. Is~~ is intended for occupancy by an income eligible household.

(6) Land Use Restriction Agreement (LURA). An agreement between the Department and the Development Owner which is binding upon the Development Owner's successors in interest, that encumbers the Development with respect to the requirements of this subchapter; Chapter 2306, Texas Government Code; the Internal Revenue Code, Section 42; and the requirements of the various programs administered or funded by the Department.

(~~5~~7) Material Non-Compliance. A Housing Tax Credit ~~property~~development located within the state of Texas ~~and monitored by the Department~~ will be classified by the Department as being in material non-compliance status if the non-compliance -score for such ~~property~~development is equal to or exceeds a threshold of 30 points in accordance with the material non-compliance provisions, ~~and~~ methodology, and point system of this title or, if the Housing Tax Credit ~~property~~development is located outside the state of Texas, and non-compliance is reported to the Department that would equal or exceed a non-compliance threshold score of 30 points if measured in accordance with the methodology and point system set forth in this subsection. ~~. The Low Income Housing Tax Credit compliance status score prevails for development~~~~Developments~~ ~~layered with more than one Department program.~~ Non Housing Tax Credit ~~development~~Developments monitored by the Department with 1 to 50 low income units will be classified as being in material noncompliance status if the noncompliance score is equal to or exceeds a threshold of 30 points. Non Housing Tax Credit ~~development~~Developments monitored by the Department with 51 to 200 low income units will be classified as being in material noncompliance status if the noncompliance score is equal to or exceeds a threshold of 120 points. Non Housing Tax Credit ~~development~~Developments monitored by the Department with 201 or more low income units will be classified as being in material noncompliance status if the noncompliance score is equal to or exceeds a threshold of 150 points. For all programs, a Development will be in material noncompliance if the noncompliance is stated in Section (r) of these rules to be material noncompliance. ~~Development~~

(8) Unit. Any residential rental unit in a development consisting of an accommodation, including a single room used as an accommodation on a non-transient basis, that contains complete physical facilities and fixtures for living, sleeping eating, cooking, and sanitation.

(c) Construction inspections. The Department, through the ~~Portfolio,~~ Portfolio Management and Compliance ~~d~~Division, ~~with responsibility for compliance matters,~~ shall monitor for compliance with all applicable requirements through the entire construction or rehabilitation phase associated with any Development ~~fund~~funded or administered~~ed~~ by the Department ~~including Low Income Tax Credits~~. Construction is monitored to verify inclusion of ~~all~~ application representations and Department design requirements.

(1) Construction monitoring procedures for HTC Developments include:

(A) A plan review performed by the Department or by an independent plan review contractor engaged by the Department. The reviewer uses the TDHCA Application Compliance Checklist. The plan approval certificate is required by the Department in order for the issuance of the Acknowledgement Notice at the commencement of substantial construction.

(B) A final inspection performed after completion of construction by inspectors for the owner, lender and/or syndicator using the TDHCA Application Compliance Checklist.

(C) An accessibility clearance performed after completion of construction by an owner-contracted accessibility specialist selected by the Development owner from the Department's list of approved contractors using the TDHCA Accessibility Checklist.

(2) Construction monitoring procedures for non-HTC multifamily Developments include:

(A) A plan review performed by the Department or by an owner-contracted independent plan review contractor selected from the Department's list of approved plan reviewers. The reviewer uses the TDHCA Application Compliance Checklist and issues a Certificate of Compliance once plans are approved. The plan approval certificate is required by the Department in order for the borrower or grantee to obtain a Notice to Proceed with Construction.

(B) Mid-construction progress inspections conducted within ten days prior to draw request submittals to the Department. Mid-construction inspections are performed by independent licensed architects or engineers engaged by the borrower or grantee. Depending on particular risks associated with the Development, the Department may require the borrower or grantee to select a contractor from the Department's list of approved inspectors. With each draw package, the borrower or grantee provides AIA documents (or equivalents) G701 Change Order form for any change in contract scope of work, cost, or time; G702 Application and Certificate for Payments; G703 Continuation Sheet; and G711 Field Report.

(C) A final inspection is performed by the Department or an owner-contracted independent inspection contractor selected from the Department's list of approved final inspectors. The final inspector uses the TDHCA Application Compliance Checklist and issues the Certificate of Compliance once all work is in place and approved. The certificate is required by the Department in order to release retainage.

(3) ~~T~~The Department ~~will~~ may require~~monitor under this requirement by requiring~~ a copy of all reports from all construction inspections performed for the lender and/or syndicator for ~~the~~ HTC Developments. ~~Those reports must indicate that the Department may rely on the reports.~~ The Department may provide those inspectors for the lenders and~~/or~~ syndicator with required documentation to be completed that will confirm satisfaction of the requirements of this rule.

(4) Third Party Inspections ~~The Applicant must provide the Department with copies of all inspections made throughout the construction of the Development within fifteen days of the date the inspection occurred. In addition, i~~If necessary, based on the level of risk associated with the ~~HTC~~ Development, the Department may inspect or obtain, at the owner's expense, a Third-Party inspection for purposes of monitoring during the construction phase. The Development owner shall, upon request, provide to the

Department, or any Third-Party inspector hired by the Department~~, shall be provided, upon request,~~ any construction documents, plans, or specifications for the Development to perform these inspections. ~~The monitoring level for each Development must be based on the amount of risk associated with the Development.~~ The Department ~~shall use~~ uses the Real Estate Analysis division ~~responsible for credit underwriting matters~~ and the Portfolio Management and Compliance division ~~responsible for compliance matters~~ to determine the amount of risk associated with each Development. Owners of high risk HTC Developments may be required to submit copies of all inspection reports made throughout the construction of the Development within fifteen days of the date the inspection occurred as well as the AIA documents required for non-HTC mid-construction inspections described above. Owners of high risk non-HTC Developments may be required to supplement their mid-construction draw request submittals with inspection reports prepared by an inspector selected and engaged by the owner from the Department's list of approved inspector. Risk factors determined by the Real Estate Analysis division ~~responsible for credit underwriting~~ involve any change in total construction cost or change in square footage. For non-HTC Developments, such changes are referred to the Department's Real Estate Analysis Division by the Portfolio Management and Compliance Division ~~section responsible for processing draw requests~~ if the changes are identified during mid-construction. For all multifamily Developments, changes of square footage or changes in the scope of work are referred by the Portfolio, Management and Compliance Division ~~section responsible for construction inspections~~ to the Department's Real Estate Analysis Division and to the Department's Multifamily Finance Production Division if identified at plan review or final inspection. The Portfolio Management and Compliance ~~d~~Division ~~responsible for compliance matters~~ determines HTC Developments to be at high risk if the plan reviewer or final inspector evaluates the construction plans and specifications or completed construction work to be low quality as indicated by the reviewer or inspector using the quality evaluation factors in the Application Compliance Checklist. The ~~Portfolio,~~ Portfolio Management and Compliance Division evaluates risk of non-HTC Developments at the time of draw request or retainage release as low risk if none of the following factors apply, or high risk if four of the following factors apply:

(~~1~~a) The Department is the first lien holder;

(~~2~~b) The Development is a rehabilitation;

(~~3~~c) 90% or more of the award is requested at once (pre-development and/or construction costs);

(~~4~~d) Retainage release is requested and no inspection was conducted in the past 6 mos.;

(~~5~~e) Borrower/grantee has a known history of non-compliance issues:

(~~6~~f) Borrower/grantee has little or no prior development experience;

(~~7~~g) The current draw is the first request;

(~~8~~h) Reimbursement of stored materials is requested;

(~~9~~i) Building plans are evaluated to be of low quality in the plan review;

(~~1~~j~~0~~) There is a possible lack of full cooperation from the Development team or there are other unusual circumstances.

(5) After completion of a Development's construction phase, the Department ~~shall~~ periodically reviews the performance of the Development to confirm the accuracy of the Department's initial compliance evaluation during the construction phase. Developments having financing from the United States Department of Agriculture Rural Development (TX-USDA-RHS) will be exempt from these inspections, provided that the Development Owner, upon request, provides- to the Department ~~with~~ copies of all inspections made by TX-USDA-RHS throughout the construction of the Development within fifteen days of the date the inspection occurred. (§2306.081)

______(d~~)~~) ~~On-going m~~Monitoring~~.~~ D~~dD~~uring the Affordability Period.~~, t~~ The Department will monitor compliance with ~~all~~ representations made by the Development Owner in the Application and in the LURA, whether required by the applicable program rules, regulations, including HOME Final Rule, §42 of the Internal Revenue Code, §142 of the Internal Revenue Code Treasury Regulations or other rulings of the IRS, Community Planning and Development (CPD) Notices and~~,~~ Chapters 51 and 53 of this title ~~or undertaken by the Development Owner in response to Department requirements or criteria~~.

______(e) Compliance history. Prior to Board approval of any ~~project~~development application, the ~~Portfolio,~~ Portfolio Management and ~~c~~Compliance D~~d~~ivision shall assess the compliance history of the ~~a~~Applicant and any affiliate of the ~~a~~Applicant with respect to all applicable requirements and any compliance issues associated with the proposed Development, pursuant to §2306.057 of Texas Government Code. The ~~Portfolio,~~ Portfolio Management and ~~c~~Compliance ~~d~~Division will provide the Board:

____________(1) the compliance history of the A~~a~~pplicant and any affiliate of the A~~a~~pplicant with respect ___________________to all applicable requirements;

______-______(2) the compliance issues associated with the proposed ~~project~~D~~d~~evelopment; and

____________(3) a written report regarding the results of the assessments. ~~; and~~

~~____________(4) t~~The ~~b~~Board shall fully document and disclose any instances in which the ~~b~~Board approves ____________a ~~projectd~~Development application despite any non-compliance associated with the ~~projectd~~Development, ~~a~~Applicant, ___________________or affiliate.

______~~(f) Reserve deposits. The Department will ensure that, for multifamily rental housing developments funded through loans, grants, or tax credit, the owner keeps the rents~~the rents ~~affordable restricted for low income residents for the longest period that is economically feasible and provides regular maintenance to keep the development sanitary, safe and decent and otherwise complies with the~~

~~requirements of §2306.186. The Department shall monitor to ensure compliance with this subsection.~~

~~(1) Rental developments that receive financial assistance including low income housing tax credits from the Texas Department of Housing and Community Affairs on or after January 1, 2004, are required to comply with this subsection. Only those rental developments that receive financial assistance including tax credits or where the Department is the first lien lender that contains 25 or more rental units~~~~On or after January 1, 2004, all rental developments that:~~

~~(A) receive Housing Tax Credits or~~

~~receive financial assistance and contain 25 or more units and have the Department as first lien holder shall comply with this subsection~~ shall~~and shall~~ ~~deposit annually into a reserve account:~~

~~(Ai) for year 2004 and each subsequent year not less than \$150 per unit for units one to five years old; andold; and~~

~~(Bii) not less than \$200 per unit for units six or more years old.~~

~~(iii) These amounts my be increased annually based on the Consumer Price Index.~~

~~(2) With respect to multifamily rental developments, if the reserve fund has not been established by the first lien lender, the Development Owner shall set aside the repair reserves amount as a reserve for capital improvements. The reserve must be established for each unit in the development, regardless of the amount of rent charged for the unit.~~

~~(3) The Land Use Restriction Agreement or restrictive covenant between the owner and the Department shall require the owner to begin making annual deposits in the reserve account on the date that occupancy of the multifamily rental housing development stabilizes reaches 90% or the date that permanent financing for the development is completely in place, whichever occurs later, and shall continue until the earliest of the following dates:~~

~~(A) the date of any involuntary change in ownership of the development;~~

~~(B) the date on which the owner suffers a total casualty loss with respect to the Development or the date on which the Development becomes functionally obsolete, if the Development cannot be or is not restored;~~

~~(C) the date on which the Development is demolished;~~

~~(D) the date on which the Development ceases to be used as multifamily rental property; or~~

~~(E) the end of the affordability period specified in the land use restriction agreement or restrictive covenant.~~

~~(4) Beginning with the 11th year after the awarding of any financial assistance including tax credits, the Development Owner of a multifamily rental housing development shall contract for a third-party physical needs assessment at appropriate intervals that are consistent with lender requirements with respect to the Development. If the first lien lender does not require a third-party physical needs assessment or if the Department is the first lien lender, the Development Owner shall contract with a third-party to conduct a physical needs assessment at least once during each five-year period beginning with the 11th year after the awarding of any financial assistance including tax credits. The Development Owner shall submit to the Department copies of the most recent third-party physical needs assessment, any response by the Development Owner to the assessment, information on any repairs made in response to the assessment, and information on any necessary changes to the required reserve based on the assessment.~~

~~(5) The Department may complete necessary repairs if the Development Owner fails to complete the repairs as required by the third-party physical needs assessment. Payment of the repairs must be made directly by the Development Owner or through the reserve account established for the Development.~~

~~(6) If notified of the Development Owner's failure to comply with a local health, safety, or building code, the Department may enter on the property and complete any repairs necessary to correct a violation of that code, as identified in the applicable violation report, and may pay for those repairs through the reserve account established for the Development.~~

~~(7) The duties of the Development Owner of a multifamily rental development cease on the date of a voluntary change in ownership of the Development, but the subsequent owner is subject to the deposit, inspection and notification requirements of paragraphs (1) - (64) of this subsection.~~

~~(8) The first lien lender shall maintain the reserve account. In the event there is no longer a first lien lender, then paragraphs (1) and (2) of this subsection no longer apply.~~

~~(9) The Department shall adopt rules:~~
~~(A) to establish requirement and standards regarding:~~
~~(i) for first lien lenders and bank trustees:~~
~~(I) maintenance of reserve accounts and reasonable cost of the maintenance;~~
~~(II) asset management;~~
~~(III) transfer of money in reserve accounts to the Department to fund necessary repairs; and~~
~~(IV) oversight of reserve accounts and the provision of financial data and other information to the Department; and~~
~~(ii) for Development Owners, inspections of the multifamily rental housing developments and identification of necessary repairs, including requirements and standards regarding construction, rehabilitation, and occupancy that may enable quicker identification of those repairs; and~~

~~(B) to identify circumstances in which money in the reserve accounts may:~~

~~(i) be used for expense other than necessary repairs, including property taxes or insurance;~~

~~(ii) fall below mandatory deposit levels without resulting in Department action;~~

~~(iii) define the scope of Department oversight of reserve accounts and the repair process;~~

~~(iv) provide the consequences of any failure to make a required deposit, including a definition of good cause, if any, for a failure to make a required deposit;~~

~~(v) specify or create processes and standards to be used by the Department to obtain repair for developments;~~

~~(vi) define for purposes of paragraph (3) of this subsection the date on which occupancy of a Development is consider to have stabilized and the date on which permanent financing is considered to be completely in place; and~~

~~(vii) provide for appointment of a bond trustee as necessary under this subsection.~~

~~(109) The Department shall assess an administrative penalty on Development Owners who fail to contract for the third-part physical needs assessment and make the identified repairs as required by this section. The Department may assess the administrative penalty in the same manner as allowed pursuant to §2306.6023. The penalty is computed by multiplying $200 by the number of dwelling units in the Development and must be paid to the Department.~~

~~(1110) This section does not apply to a Development for which an owner is required to maintain a reserve account under any other provision of federal or state law.~~

(~~g~~f) Section 8 voucher holders. The Department will monitor to ensure development owners comply with §1.14 of this title regarding residents receiving rental assistance under Section 8, United States Housing Act of 1937 (42 U.S. C. §1437F). (§2306.269 and §2306.6728 of the Texas Government Code).

(~~h~~g) Monitoring of compliance. The Department may contract with an independent ~~external~~ third party to monitor a Development during ~~its~~ construction or rehabilitation and during ~~its~~ operation for compliance with any conditions imposed by the Department in connection with funding or other Department oversight ~~including housing tax credits to the Development~~ and appropriate state and federal laws, as required by other state law or by the Board. (§2306.6719 of the Texas Government Code).

(~~i~~h) Recordkeeping. All Development Owners must comply with program recordkeeping requirements. In addition, records including items listed in paragraphs (1) - (12) of this subsection must be kept for each qualified low income rental unit and building in the Development, commencing with lease up activities and continuing on an ~~annual~~ monthly basis until the end of the affordability period. ~~(§2306.072)~~ Records must include:

(1) the total number of residential rental units in the Development, including the number of bedrooms;

(2) the move in and move out date ~~of~~ for each residential rental unit in the Development;

(3) which residential rental units are low income units and the income level of the residents broken into 30, 40, 50, 60 or 80 percent of the area median income;

(4) the rent charged for each residential rental unit including, with respect to low income units, documentation to support the utility allowance applicable to such unit and any rental assistance received;

(5) the number of occupants in each low income unit;

(6) the low income rental unit vacancies and information that shows when~~,~~ and to ~~whom,~~ ~~all~~whom all available units were rented;

(7) the annual income certification of each tenant of a low income unit, in the form designated by the Department ~~in the Compliance Manual~~, as may be modified from time to time;

(8) documentation to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 ("Section 8");

(9) the total number of units, reported by bedroom size, designed for individuals who are physically challenged or who have special needs and the number of these individuals served annually;

(10) the race and ~~ethnic makeup~~ ethnicity of the residents of each Development;

(11) the number of units occupied ~~by~~ by households ~~individuals~~ receiving government-supported housing assistance and the type of assistance received; and

(12) any additional information as required by the Department.

(~~j~~i) Reporting. Each Development shall submit reports as required by the Department. Each Development that receives financial assistance or is ~~that receives financial assistance~~ administered by the Department including ~~Low Income Housing Tax Credits from the Department~~ The FDIC's Affordable Housing Program shall submit the information required under this subsection ~~(i) of this section in the~~ which describes the annual Fair Housing Sponsor Report ~~pursuant to~~ required by ~~§2306.072 and~~ §2306.0724 of the Texas Government Code. The Department may require this information to be submitted electronically and ~~This information shall be electronically reported~~ in the format prescribed by the Department. Section 1.11 of this title contains procedures regarding filing and penalties for failure to file reports.

(1) Part A, the "Owner's Certification of Program Compliance"; Part B, the "Unit Status Report"; and Part C, "Tenant Services Provided Report" of the Fair Housing Sponsor Report, must be provided to the Department no later than March 1st of each year, reporting data current as of January 1 of each reporting year. Part D, "Owner's Financial Certification", which includes the current audited financial statements, and income and expenses of the Development for the prior year shall be delivered to the Department no later than the last day in April each year. ~~, which includes the current audited financial statements, and income and expenses of the Development for the prior year.~~ A ~~F~~full description of the Fair Housing Sponsor Report is contained in subsection (~~m~~j) of this section.

(2) The Department maintains ~~a summary of~~ the information reported by the Fair Housing Sponsor Report pursuant to §2306.0724(c) of the Texas Government Code~~2(6)~~ in electronic and hard-copy formats available at no charge to the public.

(3) Rental developments funded or administered by the Department, including ~~by~~ HOME, Housing Trust Fund, the FDIC's Affordable Housing Program, ~~and~~ and ~~or~~ any other rental programs ~~fund~~funded or ~~ed~~administered by the Department shall provide tenant information provided on Part B, "Unit Status Report," at least quarterly during lease up and until occupancy requirements are achieved. Once the Department has determined that all occupancy requirements are satisfied, the Development shall submit ~~tenant information~~ the Unit Status Report at least annually and as required by this subsection.

(4) Developments financed by tax exempt bonds issued by the Department shall report quarterly throughout the Qualified Project Period or until released by the Department.

(5) The Department ~~retains the right to~~ requires ~~the~~ all Owners of properties administered by the Department to submit the Unit Status Report ~~tenant data~~ in the electronic format ~~as~~ developed by the Department. The Electronic Compliance Reporting Filing Agreement and the Owner's Designation of Administrator of Accounts forms must be filed with the Department no later than January 31, 2005. Developments that are awarded funds in the future must submit the required forms no later than January 31st of the year following the award. The department will provide general instruction regarding the electronic transfer of data. The Department may at its discretion waive the online reporting requirements. In the absence of a written waiver, all developments are required to submit the Unit Status Report online.

(6) Information regarding housing for persons with disabilities. Owners of state or federally assisted housing developments with 20 or more housing units must report information regarding

housing units designed for persons with disabilities pursuant to §2306.078. This information will be reported on the Department's internet site and will include the following:

(a) the name, if any, of the development;
(b) the street address of the development;
(c) the number of housing units in the development that are designed for persons with disabilities and that are available for lease;
(d) the number of bedrooms in each housing units designed for a person with a disability;
(e) the special features that characterize each housing unit's suitability for a person with disabilities;
(f) the rent for each housing unit designed for a person with a disability; and
(g) the telephone number and name of the development manager or agent to whom inquiries by prospective tenants may be made.

~~(k) Database. The Department shall create an easily accessible database that contains all Development compliance information developed under this section including Development compliance information provided to the Department by The Texas State Affordable Housing Corporation. (§2306.081)~~

~~(l) Information regarding housing for persons with disabilities. The Department shall establish as system that requires owners of state or federally assisted housing developments with 20 or more housing units to report information regarding housing units designed for persons with disabilities pursuant to §2306.078. The system will allow an owner of a development with at least one housing unit designed for a person with a disability to enter the following information on the Department's Internet site:~~
~~(1) the name, if any of the Development;~~
~~(2) the street address of the Development;~~
~~(3) the number of housing units in the Development that are designed for persons with disabilities and that are available for lease;~~
~~(4) the number of bedrooms in each housing unit designed for a person with a disability;~~
~~(5) the special features that characterize each housing unit's suitability for a person with a disability;~~
~~(6) the rent for each housing unit designed for a person with a disability; and~~
~~(7) the telephone number and name of the Development manager or agent to whom inquiries by prospective tenants may be made. The Department shall solicit the owner's voluntary provision of updated information.~~

(~~mk~~j) Fair Housing Sponsor Report Certification and Review.

(1) On or before February 1st of each year of the affordability period, the Department will send each rental Development Owner a reminder that the Fair Housing Sponsor Report (forms ~~provided by the Department~~available on the Department's website) ~~to~~ must be completed by the Owner and returned to the Department on or before the ~~first day of March of~~ applicable deadline~~each year during the Affordability Period~~. The Department may require some or all of the Fair Housing Sponsor Report to be submitted electronically. The Fair Housing Sponsor Report shall consist of:

(A) Part A, "Owner's Certification of Program Compliance";

(B) Part B, "Unit Status Report";

(C) Part C, "Tenant Services Provided Report"; and

(D) Part D, "Owner's Financial Certification".

(2) Penalties and sanctions are assessed in accordance ~~to~~ with §1.11(d) of this title for failure to provide the Fair Housing Sponsor Report in part or entirety, including administrative penalties and denial of future requests for Department funding.

(3) Any ~~d~~Development for which the Fair Housing Sponsor Report Part A, "Owner Certification of Program Compliance," is not received or ~~,~~ is received past due will be considered not in compliance with these rules. If Part A~~, or~~ is incomplete, improperly completed or not signed by the Development Owner, it will be considered not received and ~~is considered~~ not in compliance with these rules. The Department will report to the IRS via form 8823, Low-Income Housing Credit Agencies Report of noncompliance or Building Disposition, any Housing Tax Credit development that fails to comply with this section. ~~Tax credit Developments will be considered not in compliance with the provisions of §42 of the Code and will be reported to the IRS on Form 8823, Low Income Housing Credit Agencies Report of Non Compliance.~~ The Fair Housing Sponsor Report Part A shall include at a minimum the following statements of the Development Owner:

~~(~~(A) the Development met the minimum set aside test which was applicable to the Development;

(B) there was no change in the Applicable Fraction or low income set aside of any building, or if there was such a change, the actual Applicable Fraction is reported to the Department (~~LIHTC~~ HTC only);

(C) the Development Owner has received an annual income certification from each low income resident and documentation to support that certification, in the ~~process~~ manner and form ~~designated~~ required by the Department's Compliance Manual, as may be ~~modified~~ amended from time to time;

(D) documentation is maintained to support each low income tenant's income certification, consistent with the determination of annual income and verification procedures under Section 8 of the United States Housing Act of 1937 ("Section 8"), notwithstanding any rules to the contrary for the determination of gross income for federal income tax purposes. In the case of a tenant receiving housing assistance payments under Section 8, the documentation requirement is satisfied if the public housing authority provides a statement to the Development Owner declaring that the tenant's income does not exceed the applicable income limit under the Code, §42(g) as described in the Compliance Manual;

(E) each low income unit in the Development was rent-restricted under the Land Use Restriction Agreements and applicable program regulations, including IRC Code, §42(g) (2), 24 CFR Part 92, and the owner maintained documentation to support the utility allowance applicable to such unit;

(F) All low income units in the Development are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under §42(i)(3)(B) (iii) of the Code) (~~LIHTC~~ HTC and Bond only);

(G) No finding of discrimination under the Fair Housing Act, 42 U.S.C. 3601 - 3619, has occurred for this Development. A finding of discrimination includes an adverse final decision by the Secretary of HUD, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. ~~3616a(~~3616a (a~~)(~~) (1), or an adverse judgment from a federal court. ~~In addition a statement as to whether the Development has been notified of a violation of the fair housing law that has been filed with the United States Department of Housing and Urban Development, the Commission on Human Rights (or equivalent agency) or with the United States Department of Justice;~~

(H) each unit or building in the Development is, and has been, suitable for occupancy, taking into account local health, safety, and building codes, and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the Development during this reporting period. If a violation report or notice was issued by the governmental unit during this reporting period, the Development Owner must provide the Department with a copy of the violation report or notice. In addition, the Development Owner must state whether the violation has been corrected;

(I) each unit meets conditions set by Housing Quality Standards and an annual inspection to confirm the condition has been ~~preformed~~performed ~~if applicable~~; (HOME only)

(J) there has been no change in the Eligible Basis (as defined by §42(d) of the Code) for any building in the Development since the last certification or, if changes, the nature of the change; (HTC only)

(K) all tenant facilities included in the original application, such as swimming pools, other recreational facilities, washer/dryer hook ups, appliances and parking areas, were provided on a comparable basis ~~without charge~~ to any tenants in the Development.

(L) ~~For tax credit Developments,~~ Residents have not been charged for the ~~certification that the character and~~ use of ~~the~~ any nonresidential portion of the building ~~are~~ that was included in the building's Eligible Basis under ~~the~~ §42(d) of the Internal Revenue Code~~, §42(d)~~, ~~(e.g. whether tenant facilities are available on a comparable basis to all tenants; whether any fee is charged for use of the facilities; whether facilities are reasonably required by the Development)~~ (~~LIHTC~~ HTC only);

(~~L~~M) if a low income unit in the Development became vacant during the year, reasonable attempts were made, or are made, to rent that unit or the next available unit of comparable or smaller size to a qualifying low income household before any other units in the Development were, or will be, rented to non low income households; (HTC ~~and~~ ~~tax~~and tax exempt bonds only)

(~~M~~N) if the income of tenants of a low income unit in the Development increased above the appropriate limit allowed, the next available unit of comparable or smaller size was, or will be, rented to residents having a qualifying income;

(~~N~~O) a LURA including an Extended Low Income Housing Commitment as described in §42(h)(6) of the Internal Revenue Code, ~~§42(h)(6),~~ was in effect for buildings subject to §7108(c)(1) of the Omnibus Budget Reconciliation Act of 1989, 103 Stat. 2106, 2308 - 2311, including the requirement under §42(h)(6)(B)(iv) of the Internal Revenue Code, ~~§42(h)(6)(B)(iv),~~ that a Development Owner cannot refuse to lease a unit in the Development to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437f (for buildings subject to §1314c(b)(4) of the Omnibus Budget Reconciliation Act of 1993, 107 Stat. 312, 438 ~~-~~ – 439) (~~LIHTC~~ HTC only);

(~~O~~P) the Development Owner has not been notified by the IRS that the Development is no longer "a qualified low income housing Development" within the meaning of §42 of the Internal Revenue Code~~, §42~~; (HTC only)

(~~P~~Q) if the Development Owner is required to be a ~~received its Housing Credit Allocation from the portion of the state ceiling set aside for developments involving~~ Qualified Nonprofit Organization~~s~~ under §42(h)(5) of the Internal Revenue Code, ~~§42(h)(5),~~ that a Qualified Nonprofit Organization owned an interest in and materially participated in the operation of the Development within the meaning under §469(h) of the Internal Revenue Code, ~~§469(h),~~ (~~LIHTC~~ HTC only);

(~~Q~~R) no low income units in the Development were occupied by ineligible full time student households; (HTC and tax exempt bonds only)

(~~R~~S) no change in the ownership of ~~a~~ the Development has occurred during the reporting period or changes and transfers were or are reported;

(~~S~~T) the Development met all representations of the Development Owner in the Application and complied with all terms and conditions which were recorded in the LURA;

(~~T~~U) the Development has made all required lender deposits, including annual reserve deposits;

(~~U~~V) the street address and municipality or county in which the Development is located;

(~~V~~W) the name, address contact person ~~telephone~~and telephone number of the property management or leasing agent;

~~(W) a statement as to whether the Development has any instance of material non-compliance with bond indentures or deed restrictions including meeting occupancy requirements or rent restrictions imposed by deed restriction or financing agreements; and~~

(~~XY~~X) any additional information as required by the Department.

(4) Review. Department staff will review Part A of the Fair Housing Sponsor Report for compliance with the requirements of the appropriate program including §42 of the Internal Revenue Code ~~§42~~.

(~~n~~lk) Record retention provisions. Each Development that is administered by the ~~received assistance from the~~ Department including ~~Low Income Housing Tax Credits~~ the FDIC's Affordable Housing Program is required to retain the records as required by the specific funding program rules and regulations. In general, retention schedules include but are not limited to the provision of paragraphs (1) - (4) of this subsection;

(1) ~~Low Income~~ Housing Tax Credits records, as described in subsection (~~i~~h) of this section, must be retained for at least six years after the due date (with extensions) for filing the federal income tax return for that year; however, the records for the first year of the Credit Period must be retained for at least six years beyond the due date (with extensions) for filing the federal income tax return for the last year of the Compliance Period of the building.

(2) Retention of records for HOME rental developments must comply with the provisions of 24 CFR 92.508 (c), which generally requires retention of rental housing records for five years after the affordability period terminates.

(3) ~~Retention of records for~~ Housing Trust Fund rental developments ~~pertaining to~~ must retain tenant files ~~must be retained~~ for at least three years beyond the date the tenant moves from the development. Records pertinent to the funding of the award, including but not limited to the application, ~~project~~development costs and documentation, must be retained for at least five years after the affordability period terminates.

(4) Other rental Developments funded or administered in whole or in part by the Department must comply with record retention requirements as required by rule or deed restriction.

(~~om~~l) Inspection provision. The Department retains the right to perform an on-site inspection of any low income Development, and review and photocopy ~~including~~ all ~~books~~ documents and records ~~pertaining thereto~~supporting compliance with Departmental programs, through ~~either~~ the end of the Compliance Period or the end of the period covered by any Extended Low Income Housing Commitment, whichever is later.

(1) The Department will perform on-site inspections and file reviews of each low income Development. The Department will conduct the first ~~a~~ review of ~~Low Income~~ Housing Tax Credit Development~~s~~s by the end of the second calendar year following the year the last building in the Development is placed in service. The Department will schedule ~~a~~ the first review of all other Developments as leasing commences. Subsequent reviews will occur at least once every three years during the compliance period. The Department will monitor at least ~~20~~15% of the low income ~~units~~ resident files in each Development, ~~inspect the units~~ and review the ~~low~~ income certifications, the documentation the Development Owner has received to support the certifications, the rent

records ~~for each~~ ~~low income tenant in those units,~~ and any ~~a~~additional information that the Department deems necessary. The Department will also conduct a physical inspection of the Development including the exterior of the ~~property~~development, ~~property~~development amenities, and an interior inspection of a sample of units.

~~(2) During the affordability period, at least once every three years, the Department will conduct on-site inspections and file reviews of each Development and, for at least 15% or more of the development's low income units, inspect the units and review the low income certifications, the documentation supporting the certifications, the rent records for the tenants in those units and any additional information that the Department deems necessary.~~

(~~3~~2) The Department may, at the time and in the form designated by the Department, require the Development Owners to submit, ~~for compliance review,~~ information on tenant income and rent for each low income unit and may require a Development Owner to submit, ~~for compliance review,~~ copies of the tenant files, including copies of the income certification, the documentation the Development Owner has received to support that certification, and the rent record for any low income tenant.

(~~4~~3) The Department will ~~randomly~~ select ~~which~~ the low income units and tenant records that are ~~are~~ to be inspected and reviewed. ~~The review of the tenant records may be undertaken wherever the Development owner maintains or stores the records if located within the state of Texas.~~ Original records are required for review. The Department will not ~~Units and tenant records to be inspected and reviewed will be selected in a manner that will not~~ give Development Owners advance notice that a particular unit, ~~and~~ tenant records ~~for~~ or a particular year will ~~or will not~~ be inspected or reviewed. However, the Department will give reasonable notice to the Development Owner that an on-site inspection or a tenant record review will occur, so that the Development Owner may notify tenants of the inspection or assemble original tenant records for review.

(~~5~~4) The Department will conduct a limited inspection ~~to determine~~ for compliance with accessibility requirements under the Fair Housing Act or Section 504~~,~~ of the Rehabilitation Act of 1973. If determined necessary the Department may make referrals to appropriate federal and state agencies or order third-party inspections to be paid for by the Development owner. ~~and make referrals to appropriate federal and state agencies.~~

(~~6~~5) Exception:~~.~~ The Department may, at its discretion, enter into a Memorandum of Understanding with the United States Department of Agriculture Rural ~~Development~~Housing Service (TX-USDA-RHS), whereby the TX-USDA-

RHS agrees to provide to the Department information concerning the income and rent of the tenants in buildings financed ~~by the~~ ~~TX-USDA-RHS~~ under its §515 program. Owners of such buildings may be exempted from the inspection provisions, however, if the information provided by TX-USDA-RHS is not sufficient for the Department to make a determination that the income limitation and rent restrictions are met, the Development Owner must provide the Department with additional information or the Department will inspect according to the provisions contained herein. TX-USDA-RHS Developments satisfy the definition of Qualified Elderly Development if they meet the definition for elderly used by TX-USDA-RHS, which includes persons with disabilities.

(~~p~~nm) Inspection Standard. ~~For the on-site inspections of developments and low income units,~~ To determine compliance with property condition standards the Department shall review any local health, safety, or building code violation~~s reported~~ reports ~~to~~, or notices ~~of such violations retained by, the Development Owner, under subsection (m)(3)(H) of this section, and determine whether the units satisfy local health, safety, and building codes or the uniform physical condition standards for public housing established by HUD (24 CFR 5.703) or Housing Quality Standards. The HUD physical condition standards do not supersede or preempt local health, safety and building codes.~~ In the absence of local health, safety and building code violation reports ~~or~~ and if deemed necessary by the Department, inspections by third-party inspectors ~~or local government entities will~~ may be requested and will be relied upon to determine compliance with property condition standards.~~.~~ In addition to the review of any local health, safety or building code violation reports, the Department may conduct inspections of the units using the Housing Quality Standards and may use those standards to determine compliance with property condition standards. Developments must ~~continue to satisfy these codes and~~ maintain property condition standards throughout the affordability period. Housing Tax Credit Developments that fail to ~~copy~~ comply with local codes ~~or the uniform physical condition standards~~ must be reported to the IRS.

(~~q~~on) Notices to Owner. The Department will provide prompt written notice to the Development Owner if the Department does not receive the Fair Housing Sponsor Report or discovers through audit, inspection, review or any other manner that the Development is not in compliance with the provisions of the deed restrictions, conditions imposed by the Department, or program rules and regulations, including §42. The notice will specify a correction period which will not exceed 90 days from the date of notice to the Development Owner, during which the Development Owner may respond to the Department's findings, bring the Development into compliance, or supply any missing documentation or certifications. The Department may extend the correction period for up to six months from the date of the notice to the Development Owner if it determines there is good cause for granting an extension. If any communication to the Development Owner under this section is returned to the Department as refused, unclaimed or undeliverable, the Development may be considered not in compliance without further notice to the Development Owner. The Development Owner is responsible ~~to provide~~ for providing the Department with current contact information including address and phone number.

(~~r~~po) Notice to the IRS. (~~Low Income~~ Housing Tax Credit Developments only)

(1) Regardless of whether the non-compliance is corrected, the Department is required to file IRS Form 8823 with the IRS. IRS Form 8823 will be filed not

later than 45 days after the end of the correction period specified in the Notice to Owner (including any extensions permitted by the Department), but will not be filed before the end of the correction period. The Department will ~~explain~~ indicate on IRS Form 8823 the nature of the non-compliance and will indicate whether the Development Owner has corrected the non-compliance.

(2) If a particular instance of non-compliance is not corrected within three years after the end of the permitted correction period, the Department is not required to report any subsequent correction to the IRS.

(3) The Department will retain records of non-compliance or failure to certify for six years beyond the Department's filing of the respective IRS Form 8823. ~~In all other cases,~~ T~~t~~he Department will retain the Fair Housing Sponsor Reports and records ~~certification~~ ~~and reports~~ for three years from the end of the calendar year the Department receives the certifications and records.

(4) The Department will send the ~~O~~owner of ~~R~~record copies of any 8823s submitted to the IRS. Copies of 8823s will be submitted to the syndicator for Developments awarded tax ~~c~~credits after January 1, 2004. The Development owner is responsible for providing the name and mailing address of the syndicator.

(~~s~~~~q~~p) Notices to the Department. If any of the events in paragraphs (1) through (6) occur, written notice must be provided within the timeframes listed below~~:~~. ~~A Development Owner must provide information to the Department for events listed in paragraphs (1) - (5) of this subsection and must notify the division responsible for compliance in writing:~~

(1) ~~prior to a~~Any sale, transfer, exchange, or renaming of the Development or any portion of the Development. Notification must be provided at least 30 days prior to this event. For Rural Developments that are federally assisted or purchased from HUD, the Department shall not authorize the sale of any portion of the Development. Any transfers of ownership must follow procedures as required by the Department (§2306.852 of the Texas Government Code);

(2) The mailing address of the owner changes. Notification must be provided within 30 days of the address change.
~~of any change of address to which subsequent notices or communications shall be sent;~~

(3) The last building in the Development is placed in service. Notification must be provided within 30 days of the placement in service of the last building. ~~within thirty days~~

~~of the placement in service of each building, the Department must be provided the in service date of each building~~ (~~LIHTC~~ HTC only);

(4) ~~if t~~The Development suffers in whole or in part ~~has suffered~~ a casualty loss. Notification must be provided within 30 days following the event of loss, ~~and when the loss occurs;~~ and

(5) ~~within thirty days of c~~Commencement of leasing activity. Notification must be provided within 30 days following the commencement of leasing activities. In addition, Owners of Tax Exempt Bond Developments shall notify the Department of the date 10 percent of the units are occupied and the date 50 percent of the units are occupied within 90 days of such dates.

(6) Request for a Land Use Restriction Agreement. Request for a LURA must be provided no later than September 1st of the calendar year in which the owner intends to have it recorded. A request for a LURA received after September 1st may not be processed by the Department in the same calendar year.

(~~tr~~q) Utility allowances.

(1) The Department will monitor to determine if Housing Tax Credit and Tax Exempt bond properties comply with published rent limits, which include an allowance for utilities. If residents are responsible for some or all utilities, Development owners must use a Utility Allowance that complies with Section 1.42-10 of the Internal Revenue Code. ~~whether rents comply with the published rent limits using the utility allowances established by the local housing authority or approved by the Department.~~ If there is more than one entity (Section 8 administrator, public housing authority) responsible for setting the utility allowance(s) in the area of the Development location, then the Utility Allowance selected must be the one which most closely reflects the actual utility costs in that Development area. In this case, documentation from the local utility provider supporting the selection must be provided.

(2) The Department will monitor to determine if HOME and Housing Trust Fund Developments comply with published rent limits, which include an allowance for utilities. Unless otherwise approved by the Department, HOME and Housing Trust Fund Developments must use the utility allowance established by the applicable housing authority. Changes in utility allowances must be implemented on the published effective date.

(~~us~~r) Material Non-Compliance. . For all programs, a Development will be in material noncompliance if the noncompliance is stated in Section (r) of these rules to be material noncompliance. Developments with more than one program administered by the Department will be scored by program. The Development will be considered in material noncompliance if the score for any single program exceeds the noncompliance limit for that program. The Department may take into consideration the representations of the Applicant regarding compliance violations, however, the records of the Department are controlling.

~~In accordance with the Low Income Tax Credit QAP and Department Notices of Funding Availability (NOFAs), the Department will disqualify an Application for funding if the Applicant, the Development Owner, or the General Contractor, or any Affiliate of the General Contractor that is active in the Ownership or Control of one or more other low income rental housing properties located in or outside the State of Texas is determined by the Department to be in Material Non-Compliance on the date the Application Round closes. The Department will classify a~~ ~~property~~development ~~as being in Material Non-Compliance when such~~ ~~property~~development ~~has a Non-Compliance score that is equal to or exceeds 30 points in accordance with the methodology and point system set forth in this subsection, or, if the~~ ~~property~~development ~~is located outside the state of Texas, non-compliance is reported to the Department that would equal or exceed a non-compliance score of 30 points if measured in accordance with the methodology and point system set forth in this subsection.~~

(1) Each ~~property~~development that ~~has received an allocation from~~ is administered by the Department will be scored according to the type and number of non-compliance events as it relates to the ~~Low Income~~ Housing Tax Credit Program or other Department programs. All Developments regardless of status that ~~have received an allocation~~ are or have been administered by the Department are scored even if the ~~project~~development no longer actively participates in the program. Unless otherwise specified below, ~~U~~under the ~~Low Income~~ Housing Tax Credit program, non-compliance events issued on Form 8823 are assigned point values. For other programs ~~monitored~~ administered by the Department, unless otherwise specified below, non-compliance events identified during on-site monitoring reviews are assigned point values.

(2) Uncorrected non-compliance will carry the maximum number of points until the non-compliance event has been reported corrected by the Department. Once reported corrected by the Department, the score will be reduced to the "corrected value." Corrected non-compliance will no longer be included in the Development score three years after the date the non-compliance was reported corrected by the Department.

~~(AA)~~ (A) Under the ~~Low Income~~ Housing Tax Credit Program, non-compliance events that occurred and were identified by the Department through the issuance of the IRS Form 8823 prior to January 1, 1998, are assigned corrected point values to each non-compliance event. The score for these events will no longer be included in the Development's score three years after the date the Form 8823 was executed.

(B) The score in effect on the date the Housing Tax Credit program application round closes or the date of the filing of Volume I of the application for a Tax Exempt Bond Development will determine if any rental development disclosed on previous participation forms is in material noncompliance. ~~For applications submitted for funding, a non-compliance report will be run by the Department's Compliance Division, for any rental developments disclosed on the Previous Participation Forms, on the date the Low Income Housing Tax Credit Program Application Round closes.~~

(C) Any corrective action documentation affecting ~~this~~ the compliance status score must be received by the Department ~~two weeks~~ thirty days prior to the date the ~~Low Income Housing~~ Housing Tax Credit Program Application Round closes or thirty days prior to the submission of Volume I of the application for a Tax Exempt Bond Development.

(3) Events of non-compliance are categorized as either "development events" or "unit/building events." Development events of non-compliance affect some or all the buildings in the ~~property~~development; however, the ~~property~~development will receive only one score for the event rather than a score for each building. Other types of non-compliance are identified individually by unit. This type of non-compliance will receive the appropriate score for each unit cited with an event. The unit scores and the development scores accumulate towards the total score of the Development. Violations ~~on~~ under the ~~Low Income~~ Housing Tax Credit program ~~Developments~~ are identified by unit; however, the building is scored rather than the unit, and the building will receive the non-compliance score if one or ~~all~~ more of the units are in non-compliance.
~~Development and unit events affect applications of Development Team Members participating in a subsequent year allocation.~~

(4) Each type of non-compliance is assigned a point value. The point value for non-compliance is reduced upon correction of the non-compliance. The scoring point system and values are as described in subparagraphs (A) and (B) of this paragraph. The point system weighs certain types of non-compliance more heavily than others; therefore certain non-compliance events carry a sufficient number of points to automatically place the ~~property~~development in Material Non-Compliance. However, other types of non-compliance by themselves do not warrant the classification of Material Non-Compliance. Multiple occurrences of these types of non-compliance events may produce enough points to cause the ~~property~~development to be in Material Non-Compliance. ~~For purposes of these scores, the terms "uncorrected" and "corrected" refer to actions taken subsequent to notification of non-compliance by the Department.~~

(A) Development Non-Compliance items are identified in clauses (i) (~~xxiv~~xxvii) of ~~t~~this subparagraph.

(i) Major property condition violations. ~~As determined by the Department, t~~The ~~project~~development displays major violations of health, safety and building codes. Uncorrected, this is material noncompliance. ~~, or the property does not satisfy the uniform physical condition standards.~~ Uncorrected is equal to the material noncompliance status threshold score as defined in Section (b) (7) of these rules. ~~30 points~~ . Corrected is 20 points.

(ii) Owner refused to lease to a holder of rental assistance certificate/voucher because of the status of the prospective tenant as such a holder. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section (b~~)(~~) (7) of these rules.~~30 points.~~ Corrected is 10 points.

(iii) Development is not available to general public. Determination of violation under the Fair Housing Act. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section (b~~)(~~) (7) of these rules. ~~30 points.~~ Corrected is 10 points.

(iv) Development is out of compliance and never expected to comply. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section (b~~)(~~) (7) of these rules.~~30 points.~~

~~(v) Development is completed without a threshold amenity or an amenity for which points were received without seeking and receiving consent for an acceptable substitution from the Department. Uncorrected is 30 points. Acceptable substitution after violation is 10 points.~~

(v) Owner failed to pay fees or allow on-site monitoring review. Points will be assigned to this event after written notification to the Development owner. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section (b~~)(~~) (7) of these rules. Corrected is 5 points.

(vi) LURA not in effect. The LURA was not executed within the required time period. Uncorrected, this is material noncompliance. This event will be assigned points upon written notification to the owner. Uncorrected is equal to the material noncompliance status threshold score as defined in Section (b~~)~~() (7) of these rules. Corrected is 5 points.

~~(vi) Development is not completed by due date of the cost certification documentation. 25 points.~~

(vii) Developments awarded Housing ~~tax~~ Tax ~~c~~Credits January 1, 2004, or later, that are foreclosed by a lender, or the General Partner is removed by a syndicator due to reasons other than market conditions. Points associated with a foreclosure will be assigned at the time the 8823 is sent to the IRS. Points associated with the removal of the General Partner will be assigned upon written notification to the former General Partner. 25 points.

(~~viii~~viii) Development failed to meet minimum low-income occupancy levels. Development failed to meet required minimum low-income occupancy levels of 20/50 (20% of the units occupied by tenants with household incomes of less than or equal to 50% of Area Median Gross Income) or 40/60. Uncorrected is 20 points. Corrected is 10 points. (~~LIHTC~~ HTC and BOND only)

(~~ix~~ix) No evidence of, or failure to certify to, non-profit material participation for Owner having received an allocation from the Nonprofit Set-Aside. Uncorrected is 10 points. Corrected is 3 points.

(~~x~~x) The Development failed to meet additional State required rent and occupancy restrictions. The LURA requires the Development to lease units to low income households at multiple income and rent tiers. This event refers to the condition when the lower tiers are not satisfied. ~~Development has failed to meet state restrictions, if any, that exist in addition to the federal requirements.~~ Uncorrected is 10 points. Corrected is 3 points.

(xi) The Development failed to provide required supportive services as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

~~(~~(xii) The Development failed to provide housing to the elderly as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(~~xiii~~xiii) Failure to provide special needs housing. Development has failed to provide housing for tenants with special needs as promised at Application. Uncorrected is 10 points. Corrected is 3 points.

(~~xiv~~xiv) The Development Owner failed to provide required annual notification to local administering agency for the Section 8 program. Uncorrected is 5 points. Corrected is 2 points.

(xv) Changes in Eligible Basis. Changes occur when common areas become commercial, fees are charged for facilities, etc. Uncorrected is 10 points. Corrected is 3 points. (~~LIHTC~~ HTC Development only~~) and scored by project)~~

(xvi) Owner failed to post Fair Housing Logo and/or poster in leasing offices. Uncorrected is 3 points. Corrected is 1 point.

~~(xvii) LURA not in effect. The LURA was not executed within the required time period. Uncorrected is 10 points. Corrected is 3 points. (LIHTC only)~~

~~(xviii) Owner failed to pay fees or allow on-site monitoring review. Uncorrected is 3 points. Corrected is 1 point.~~

(~~xix~~~~xviii~~xvii) Failure to submit part or all of the Fair Housing Sponsor Report or failure to submit any other annual, monthly, or quarterly report required by the Department. Uncorrected is 10 points. Corrected is 3 points.

(~~xxxi~~xviii~~x~~) Owner failed to make available or maintain management plan with required language as required under §1.14 of this title. Uncorrected is 3 points. Corrected is 1 point.

(~~xxi~~xiv) Owner failed to approve and distribute Affirmative Marketing Plan as required under §1.14 of this title. Uncorrected is 3 points. Corrected is 1 point.

(xx) ~~iii)~~ Pattern of minor property condition violations. Development displays a pattern of property violations; however, those violations do not impair essential services and safeguards for tenants. Uncorrected is 5 points. Corrected is 2 points.

(~~xxiii~~xxi~~i~~) Development failed to comply with requirements limiting minimum income standards for Section 8 residents. Complaints verified by the Department regarding violations of the income standard which cause exclusion from admission of Section 8 resident(s) results in a violation. Uncorrected score 10 points. Corrected 3 points.

(xx~~iv~~ii) Owner defaults on payments of Department loans for a period exceeding 90 days. Uncorrected, this is material noncompliance. Points will be assigned under this event after written notice to the Development Owner. Uncorrected is equal to the material noncompliance status threshold score as defined in Section (b~~)~~() (7) of these rules. Corrected is 10 points. ~~One point for each succeeding month of default up to 20 points.~~

(xxiii~~i~~) Utility allowance not calculated properly. Uncorrected 3 points, Corrected 1 point.

(xxiv) Failure to comply with the Next Available Qualifying Unit Rule. Uncorrected 3 points. Corrected 1 point.

(xxv~~ii~~) Owner failed to execute required lease provisions or exclude prohibited lease language.

Uncorrected 3 points. Corrected 1 point (All programs, except Housing Tax Credits)

(xxvi~~vii~~) Failure to provide annual Housing Quality Standards inspection. Uncorrected 10 points. Corrected 3 points. (HOME Only)

(xxvii) Development has failed to establish and maintain a reserve account in accordance with Section 1.37 of title 10, Texas Administrative Code. Points will be assigned under this event after written notice to the Development Owner. Uncorrected, this is material noncompliance. Uncorrected is equal to the material noncompliance status threshold score as defined in Section (b) (7) of these rules. Corrected is 10 points.

(B) Unit Non-Compliance items are identified in clauses (i) - (x) of this subparagraph.

(i) Unit not leased to Low Income Household. Development has units that are leased to households whose income was above the income limit upon initial occupancy. Uncorrected is 3 points. Corrected is 1 point

.

(ii) Low-income units occupied by nonqualified full-time students. Uncorrected is 3 points. Corrected is 1 point. (~~LIHTC~~ HTC and Bond only)

(iii) Low income units used on transient basis. Uncorrected is 3 points. Corrected is 1 point. (~~LIHTC~~ HTC and Bond only)

(iv) Household income increased above the re-certification limit and available Unit was rented to market tenant. Uncorrected is 3 points. Corrected is 1 point.

(v) Gross rent exceeds ~~rent~~ the highest rent allowed under the LURA or other deed ~~restriction~~ restriction~~limit~~. Uncorrected is 3 points. Corrected is 1 point.

~~(vi) Utility allowance not calculated properly. Uncorrected is 3 points. Corrected is 1 point.~~

(vi~~i~~) Failure to maintain or provide tenant income certification and documentation. Uncorrected is 3 points. Corrected is 1 point.

(vii~~i~~) Casualty loss. Units not available for occupancy due to natural disaster or hazard due to no fault of the Owner. This carries no point value. Casualty losses are reported to the IRS on ~~LIHTC~~ HTC Developments.

(~~ix~~viii) When a low income Unit became vacant, owner failed to lease (or make reasonable efforts to lease) to a low income household before any units were rented to tenants not having a qualifying income. Uncorrected 3 points. Corrected 1 point.

(ix) Unit not available for rent. Unit is used for non-residential purposes excluding unavailable Units due to casualty and manager-occupied Units. Uncorrected is 3 points. Corrected is 1 point.

(x~~i~~) Qualifying unit designation removed from household. Uncorrected 3 points. Corrected 1 point. (FDIC's Affordable Housing Program only)

(s) Alternative Dispute Resolution Policy. In accordance with Section 2306.082, Texas Government Code, it is the Department's policy to encourage the use of appropriate alternative dispute resolution procedures ("ADR") under the Governmental Dispute Resolution Act, Chapter 2009, Texas Government Code, to assist in resolving disputes under the Department's jurisdiction. As described in Chapter 154, Civil Practices and Remedies Code, ADR procedures include mediation. Except as prohibited by the Department's ex parte communications policy, the Department encourages informal communications between Department staff and applicants and other interested persons, to exchange information and informally resolve disputes. The Department also has administrative appeals processes to fairly and expeditiously resolve disputes. If at any time an applicant or other person would like to engage the Department in an ADR process, the person may send a proposal to the Department's Dispute Resolution Coordinator (fax: (512) 475-3978). For additional information on the Department's ADR Policy, see the Department's General Administrative Rule on ADR at 10 Texas Administrative Code §1.17.

(~~v~~tt) Liability. Compliance with the program requirements including compliance with the Code, §42, is the sole responsibility of the Development owner. By monitoring for compliance, the Department in no way assumes any liability whatsoever for any action or failure to act by the Development Owner including the Development Owner's non-compliance with §42 the Internal Revenue Code, the HOME program regulations, the Tax Exempt Bond program requirements, and all other program monitored by the Department, ~~§42~~.

______(~~w~~u) Applicability to all programs. These provisions apply to all Developments administered by the ~~for which the~~ Department ~~has provided funding~~ including the FDIC's Affordable Housing Program

(v) Waiver. The Board, in its discretion and within the limits of law, may waive any one or more of these Rules if the Board finds that waiver is appropriate to fulfill the purposes or policies of Chapter 2306, Texas Government Code, or for other good cause, as determined by the Board.~~low income housing tax credits.~~

FINANCIAL ADMINISTRATION DIVISION
BOARD ACTION REQUEST

September 9, 2004

Action Items

The Department staff will present a high level summary of the FY 2006-07 Legislative Appropriations Request (LAR) for the Board's consideration and approval. The entire LAR document is on the Department's website at www.tdhca.state.tx.us under featured documents.

Required Action

The Board approve the FY 2006-07 LAR

Background

The FY 2006-07 LAR serves as an instrument that provides the budget details that support the Agency's Strategic Plan. It provides information related to performance targets, cost and method of finance. The LAR consists of two components. The first is a baseline level which is the General Revenue for 2004-05 then reduced by 5% or $17,588,882 as requested in a letter to all state agencies by the Legislative Budget Board (LBB) and the Governor's Office of Budget, Planning and Policy (GOBPP) on June 16, 2004 (see item 2 in attachment). The second relates to exceptional items which are requests for General Revenue above the baseline request. The Department will present the LAR in a public hearing on September 23 to the LBB and the GOBPP. They will make recommendations to members of the 79th Legislature prior to the beginning of session in January 2005. The Legislature, with input from the Comptroller of Public Accounts and the Governor, will adopt the General Appropriations Act for FY 2006-07.

Board Meeting
Summarized LAR Highlights

Sept. 9, 2004

Major Milestones

The 2004–05 cycle for allocating state resources began with the issuance of *Instructions for Preparing and Submitting Agency Strategic Plans for Fiscal Years 2005–09* (February 2004). Below are major milestones in the current cycle:

• Strategic planning instructions issued	February, 2004
• Agency request to modify budget structure submitted	April 2, 2004
• Instructions for biennial budget request issued	May, 2004
• LBB/GOBPP approve agency budget structures	April, May 2004
• Agency submits strategic plan for 2005–09	June 18, 2004 and July 2, 2004
• Agency submits 2004–05 base reconciliation	June, July, 2004
• Agency submits biennial budget request	July, August 2004
• LBB/GOBPP staff conduct joint budget hearings	August, September 2004
• LBB delivers budget recommendations to the Seventy-ninth Legislature	January 2005
• Governor delivers budget proposal to the Seventy-ninth Legislature	January 2005
• Legislature considers and adopts appropriations bill	January - May 2005
• Comptroller of Public Accounts certifies appropriations bill	June 2005
• Governor approves General Appropriations Act and issues veto proclamation	June 2005

Legislative Budget Board
Robert E. Johnson Bldg.
1501 N. Congress Avenue, 5th Floor
Austin, TX 78701
(512) 463-1200

Governor's Office of Budget, Planning and Policy
1100 San Jacinto, 4th Floor
Austin, TX 78701
(512) 463-1778

MEMORANDUM

June 16, 2004

TO: State Agency Board/Commission Chairs
State Agency Heads/Executive Directors
Appellate Court Justices and Judges
Chancellors and Presidents of Institutions of Higher Education
Presidents and Directors of Health-related Institutions

Detailed instructions for the submission of legislative appropriations requests for the 2006–07 biennium have been posted on the Legislative Budget Board and Governor's Office websites. A schedule of due dates is included as an appendix to the instructions.

Under these instructions, an agency's baseline request for general revenue-related funds will be limited to 95 percent of the sum of amounts expended in fiscal year 2004 and budgeted in fiscal year 2005. Requests shall include amounts necessary to maintain a constitutional school finance system and meet current law requirements, satisfy debt service requirements for existing bond authorizations, and maintain caseloads for federal entitlement services.

Funding requests for other purposes which exceed the baseline spending level may not be included in the baseline request but may be submitted as exceptional items. The Administrator's Statement accompanying the budget request should identify which exceptional items are tied to reaching 100 percent of the 2004–05 spending level.

We appreciate the opportunity to work with you and your staff during this new budget cycle.

Sincerely,

John O'Brien, Deputy Director
Legislative Budget Board

Mike Morrissey, Director
Governor's Office of Budget, Planning and Policy

JOB/MM:dld

ADMINISTRATOR'S STATEMENT

Background

The Texas Department of Housing and Community Affairs ("the Department" or "TDHCA"), created by the 72nd Legislature effective September 1, 1991, administers approximately twenty (20) programs that address the housing and community services needs of extremely low, very low, low and moderate income Texans. These programs provide funding and technical assistance to local providers in order to fulfill the Department's mission of "helping Texans achieve an improved quality of life through the development of better communities." The following three (3) divisions within the agency administer these programs: Single Family Finance Production, Multifamily Finance Production, and Community Affairs. A fourth division – the Division of Manufactured Housing – has its own governing board but is still administratively attached to the Department. Additionally, the Department has other divisions that focus on: bond finance, portfolio management and compliance; legal counsel; research, planning, and communications; governmental relations; budget and accounting; internal audit; real estate analysis; and the Office of Colonia Initiatives, to focus on housing needs along the Texas-Mexico border.

The Department has a seven (7) member governing board which is appointed by the Governor and confirmed by the Senate. The members are: Elizabeth M. Anderson, chairperson (from Dallas, term expires 01-31-07); C. Kent Conine, vice chairman (Frisco, term expires 01-31-07); Shadrick Bogany (Houston, term expires 01-31-05); Vidal Gonzalez (Del Rio, term expires 01-31-05); Norberto Salinas (Mission, term expires 01-31-05); and, Patrick R. Gordon (El Paso, term expires 11-07-09). The seventh position on the governing board is vacant.

Purposes

Chapter 2306 of the Texas Government Code states the purposes of the Department as follows:

1) to assist local governments in: a) providing essential public services for their residents, and b) overcoming financial, social, and environmental problems;
2) to provide for the housing needs of individuals and families of low, very low, and extremely low income and families of moderate income;
3) to contribute to the preservation, development, and redevelopment of neighborhoods and communities, including cooperation in the preservation of government-assisted housing occupied by individuals and families of very low and extremely low income;
4) to assist the governor and the legislature in coordinating federal and state programs affecting local government;
5) to inform state officials and the public of the needs of local government;
6) to serve as the lead agency for a) addressing at the state level the problem of homelessness in this state, b) coordinating interagency efforts to address homelessness, and c) coordinating interagency efforts at the state level to address any problem associated with homelessness, including hunger; and,
7) to serve as a source of information to the public regarding all affordable housing resources and community support services in the state.

Pursuant to these purposes, the Department's housing finance production divisions make funds available on a statewide basis to address affordable housing needs. The Community Affairs Division administers statewide programs that support the delivery of community services and provide energy-related assistance to every county. Regulation of the manufactured housing industry is also statewide and is administered by the Manufactured Housing Division. The Office of Colonia Initiatives coordinates the Department's efforts toward serving people in colonias along the Texas-Mexico border. These initiatives also focus on infrastructure, affordable housing, and technical assistance. The Center for Housing Research, Planning, and Communications (Housing Center) serves as an information clearinghouse on affordable housing and community services issues. In addition, the Center serves as the public information office and as the research arm for the Department, focusing on local community needs assessments. Finally, the Center also ensures that homebuyer education is available throughout the state through the Texas Statewide Homebuyer Education Program (TSHEP).

The Department distributes program funds to local conduit providers that include units of local government, nonprofit organizations, community-based organizations, private sector organizations, real estate developers, and local lending institutions. The Department selects local affordable housing and homeless service providers through competitive processes that measure community need and administrative capacity, ensuring that priority populations are served in a fair and non-discriminatory process. The Department administers its poverty programs through a network of local nonprofits, local government, and community action agencies serving every county in the state. Through the administration of its programs, the Department defines policy direction, promotes the leveraging of federal, state and local resources, and assures the stability and continuity of service delivery.

Funding Sources

The overwhelming majority of programs administered by the Department rely on federal resources. The Department expended approximately $48.9 million from U.S. Department of Housing and Urban Development ("HUD") in fiscal year 2003 through the HOME Investment Partnerships Program ("HOME"), the Emergency Shelter Grants Program ("ESG") and the Section 8 Program. Utilizing authority granted to the State by the Internal Revenue Service (IRS), the Department allocated nearly $60 million in federal tax credits to be used for the development of affordable multifamily housing. The Department also utilized IRS authority to issue approximately $190 million in bonds to be used for below market interest rate loans for moderate, low, and very low-income first-time homebuyers and nearly $186 million in bonds for affordable multifamily housing. Additionally, the Department expended approximately $77.8 million from the U.S. Department of Health and Human Services ("HHS") through the Community Services Block Grant Program ("CSBG") and the Low Income Housing Energy Assistance Program ("LIHEAP") and approximately $5.8 million from the U.S. Department of Energy ("DOE") through the Weatherization for Low Income Persons Program ("WAFLIP" or "WAP").

State appropriations to the Department for the Housing Trust Fund (HTF) remained nearly static in the 2004-2005 biennium compared to the last several bienniums. The Legislature appropriated $12.5 million for the HTF over the biennium, approximately $6 million of which reflected committed but unexpended funds carried forward from the previous biennium. The Department has earmarked up to $6 million of general revenue appropriations for the 2004-2005 biennium to help meet funding requirements for the Texas Bootstrap Loan Program. (See Texas Government Code, Chapter 2306, Subchapter FF.) The Department also receives funding for energy efficiency programs through contracts with investor-owned utility companies that have not entered into de-regulation.

Legislative Initiatives

For the second consecutive legislative session, the Department had a Sunset Bill drafted, filed, and passed that had a significant impact on how business is conducted. The 78th Legislature mandated major revisions through Senate Bill (SB) 264 on how the Department is to consider and score applications for affordable multifamily developments. In addition to extending the Department until September 1, 2011, other major provisions of the bill included: directing TDHCA to allocate all HOME, Housing Trust Fund, and Housing Tax Credit funds to urban/exurban and rural areas of the state; requiring the Department to notify state elected officials, presiding officers of local or affected communities, presiding officers of school boards, and neighborhood organizations on record with county or state of a proposed application or application filed; directing TDHCA to create a reserve account for repairs for affordable housing developments beyond 11 years past the development's initial funding date; setting established scoring criteria for housing tax credit developments; directing Department to underwrite applications to determine financial feasibility of the development; and, increasing required documents that Department is to show on its website that will be considered at a board meeting.

Other legislation that directly impacted the Department's work load and budget included: SB 284 (Sunset Bill for the Texas State Affordable Housing Corporation (TSAHC), extending TSAHC until September 1, 2009, and also amending the manner in which TSAHC and TDHCA administer bonds from the state's Private Activity Bond Program); SB 1663 (relating to administration of private activity bonds); SB 1664 (relating to the state ceiling for private activity bonds); House Bill (HB) 2308 (relating to the concentration of Housing Tax Credit developments); HB 2801 (relating to urban land bank demonstration programs); and HB 3546 (relating to the property tax exemption of Community Housing Development Organizations (CHDO) and TDHCA's monitoring of CHDOs).

At the beginning of FY 2004 the Manufactured Housing Division (MHD) underwent significant changes in order to accomplish two overriding objectives: to rely less on appropriated revenue and to improve the quality of its industry oversight. With regard to the first, the results were instantaneous: a 21% reduction in the overall budget and a 30% reduction in headcount. With regard to the second, changes have not been as rapid, but they have still been significant.

The manufactured housing lending industry still has a very high level of repossessed homes, a major external factor adversely impacting the industry's ability to economically recover from a recent downturn. Other major issues include consumers who buy repossessed homes that are not in proper shape to live in or have unpaid tax liens and the need for MHD to investigate and address such sales. The MHD has worked aggressively to ensure that these homes, when they are sold to consumers, are sold with the protections of a license and surety bond and that the consumers receive the benefits and warranties to which they are entitled. For MHD, the resolution process for consumer complaints has focused on achieving more expeditious resolutions and taking strong enforcement actions where compliance is not forthcoming. These priorities appear to have the support of the industry and consumers.

A year ago SB 521 went into effect, replacing documents of title on manufactured homes with Statements of Ownership and Location ("SOLs"). MHD has also worked to streamline its processes, reducing the time to process requests for SOLs to be well within a 10-working-day maximum. MHD has also implemented Texas Online for license renewals. All MHD processes are being reviewed for opportunities to improve efficiency without compromising service.

Citizen Participation

Effective service delivery would not be possible without a strong citizen participation process. Dialogue and communication with program consumers at the local level through program information workshops, public hearings, technical training sessions, and town hall-type meetings allows the Department to work towards its mission. In FY 2004, the Department held 13 agency-wide public hearings – one Per Uniform State Service Region. These hearings give the public the opportunity to meet staff face to face, learn about the Department's programs, and give input regarding the direction of agency programs. In addition, the Department helped to coordinate housing and community service focus groups at each of the 24 Regional Planning Commissions. The collaborative efforts between the Department, consumers, and organizations have resulted in a participatory and inclusive approach to defining strategies and meeting the diverse housing and community needs of Texans.

In conclusion, the Department assesses the housing and community needs of its consumers on a continual basis. The main challenge is to leverage limited resources to achieve the greatest public purpose. Policy consensus is reached through an extensive citizen participation process. The respective state or federal governing body then approves the policies. While the Department does not have enough resources to address all of the need across the State, it does work to improve the efficiency of service delivery, thus serving more customers without increased funding levels. The Texas Department of Housing and Community Affairs serves the greatest number of consumers in need through the maximization of program planning and efficiency. This focus is in direct correlation with the State's priority goal of promoting self-sufficiency for Texas families and individuals.

Exceptional Items

In the Department's top priority exceptional item request, we are requesting $6 million in General Revenue over the 2006-2007 biennium to administer the Emergency Nutrition/Temporary Emergency Relief Program (ENTERP), the only state emergency relief program directed towards extremely low, very low and low-income persons. ENTERP is authorized under Section 2306, Subchapter CC, Texas Government Code, to provide county governments with the funds to offer basic temporary and emergency assistance, such as food, blankets, utility assistance and rent, to persons who find themselves in a crisis situation. Because state law requires that ENTERP funding be distributed to each of the state's 254 counties, the Department estimates that a funding level of $3 million per year would be the minimum needed to make this program effective. This amount would fund ENTERP at a level that is minimally sufficient to assist the increasing poverty population in Texas and that counties would be willing to administer.

Based on historical data, the Department anticipates that this would enable counties (or their nonprofits designees) to assist approximately 50,000 persons per year. Funding is allocated to counties based on population served and unemployment rate. The funding would be especially beneficial to rural communities of the state that possess fewer alternative resources. According to a recent U.S. Census report, 15.8% of the state's population lived in poverty between 2001 and 2003. Using 2003 population projections, this translates into nearly 3.5 million Texans with limited or no resources.

During the recent economic down turn, local governments have been asked to accept larger responsibility for the welfare of their more vulnerable citizens. At the same time, resources available to help families in times of need have diminished. Oftentimes short term assistance during a crisis can mean the difference between long term self-sufficiency and long term poverty or even homelessness. A survey from the Texas Homeless Network found that the inability to pay rent or mortgage was one of the primary reasons for homelessness among survey respondents. By providing family assistance at a time of need, this program would help both the families and society avoid the greater costs of ingrained poverty and homelessness.

In its second highest priority exceptional item, the Department is requesting $10,767,000 each year of the 2006-07 biennium to fund the low income energy efficiency component of the System Benefit Fund. The Department would leverage these funds with federal Weatherization Assistance for Low Income Persons Program (WAFLIP or WAP) and Low Income Home Energy Assistance Program (LIHEAP) funds to serve eligible households in deregulated areas not currently or adequately being served through existing programs.

The Department's Weatherization Assistance Program (WAP), funded primarily through WAFLIP and LIHEAP, provides energy conservation measures for eligible very low income households. These measures provide for a healthier environment for the family served and help reduce the families' energy cost burden. The program prioritizes populations most vulnerable to weather extremes such as elderly persons 60 years of age and older, persons with disabilities, and households with young children under 6 years of age. High residential energy users and households with high energy burdens are also prioritized.

Because of federal limits on expenditures, WAP funds often cannot serve the poorest of the poor. Federal regulations limit per unit federal funding to $2,672. Homes that require energy conservation beyond this limit, in order to be effective, cannot be funded. Previous SBF funding has allowed the Department and its subrecipients to reach these poorer households in the deregulated areas of the state, typically by combining SBF and WAP funds. Through SBF funding received for SFY 2002 and 2003, the Department was able to weatherize 5,343 units as well as provide other energy conservation measures such as installing energy efficient refrigerators, compact fluorescent lights, and water saver kits. DOE estimates that on average weatherizing a unit results in a $250 reduction in annual energy costs for the household. These measures also create a healthier environment in the winter and summer for households served. As with federal WAP funds, the Department will only provide energy conservation measures to a home if the measures will be effective and provide the consumer anticipated savings in utility costs that are at least equal to the cost of the measures. (Anticipated savings are calculated based on the life of the measures.)

Finally, in order to establish a more competitive salary and salary range for the Executive Director position at TDHCA, the Department is requesting to move this exempt position from a Group 4 to a Group 5 exempt classification with a salary range of $90,060 to $139,140. Increases in salary will be based on the TDHCA Governing Board's recommendation and the Governor's Office approval to grant these salary increases. This request is based on a comparison of the current TDHCA Executive Director's salary to comparable state agencies, to salaries and groups of the agencies within the Business and Economic Development Group of Texas State Agencies, and from a recent salary survey of housing finance agency executive directors conducted by the National Council of State Housing Agencies.

Texas Department of Housing and Community Affairs
Estimated 5% General Revenue/EFF Reductions
Fiscal Years 2006 and 2007

Strategy/Program	General Revenue Approp		Earned Fed Funds Approp		Biennium	Less: Management	Less: Space	Less: Retirement	Less: Est Retirement	Add: Texas	Estimated		Est 06-07
	2004	2005	2004	2005	Total	to Staff Ratio	Reduction	Savings 2004	Savings 2005	On-Line	Base	5% Reduction	Appropriation
A. Goal: Affordable Housing:													
A.1.1. Housing Trust Fund	2,897,460	2,889,744			5,787,204	(42,906)					5,744,298	(287,215)	5,457,083
Rider #14, Interest Earnings/Loan Repayments	350,000	350,000			700,000						700,000	(35,000)	665,000
Rider #15, Unexpended Balances, Grants/Contracts	6,000,000				6,000,000						6,000,000	(300,000)	5,700,000
A.1.2. HOME Program													
A.1.3. Section 8 Rental Assistance													
A.1.4. Federal Tax Credits													
A.1.5. MRB Program - Single Family													
A.1.6. MRB Program - Multi-Family													
Total, A. Goal: Affordable Housing	9,247,460	3,239,744	-	-	12,487,204	(42,906)	-	-	-	-	12,444,298	(622,215)	11,822,083
B. Goal: Colonia Initiatives:													
B.1.1. Colonia Service Centers	90,634	90,634			181,268	(1,341)					179,927	(8,996)	170,931
Total, B. Goal: Colonia Initiatives	90,634	90,634	-	-	181,268	(1,341)	-	-	-	-	179,927	(8,996)	170,931
C. Goal: Poor and Homeless Programs:													
C.1.1. Poor and Homeless Programs													
C.2.1. Energy Assistance Programs													
Total, C. Goal: Poor and Homeless Programs	-	-	-	-	-	-	-	-	-	-	-	-	
D. Goal: Ensure Compliance:													
D.1.1. Review Property Documents													
D.1.2. Review Financial Documents													
Total, D. Goal: Ensure Compliance	-	-	-	-	-	-	-	-	-	-	-	-	
E. Goal: Manufactured Housing:													
E.1.1. Titling and Licensing	507,940	507,633			1,015,573	(7,521)		(6,929)	(25,151)	20,715	996,687	(49,834)	946,853
E.1.2. Installation Inspections	628,165	628,329			1,256,494	(9,303)		(6,929)	(25,151)		1,215,111	(60,756)	1,154,355
Rider 18, Consumer Claims	40,000	40,000			80,000						80,000	(4,000)	76,000
E.1.3. Enforcement	551,011	551,152			1,102,163	(8,160)		(6,929)	(25,152)		1,061,922	(53,096)	1,008,826
Rider 18, Consumer Claims	60,000	60,000			120,000						120,000	(6,000)	114,000
Total, E. Goal: Manufactured Housing	1,787,116	1,787,114	-	-	3,574,230	(24,984)	-	(20,787)	(75,454)	20,715	3,473,720	(173,686)	3,300,034
F. Goal: Indirect Admin and Support Costs:													
F.1.1. Central Administration	77,660	79,754	850,077	867,481	1,874,972	(1,149)	(4,180)	77	(5,992)		1,863,728	(93,186)	1,770,542
F.1.2. Information Resource Technologies	198,351	201,563			399,914	(2,937)		(2,806)	(9,823)		384,348	(19,217)	365,131
F.1.3. Operating/Support	83,250	86,575			169,825	(1,233)					168,592	(8,430)	160,162
Total, F. Goal: Indirect Admin and Support Costs	359,261	367,892	850,077	867,481	2,444,711	(5,319)	(4,180)	(2,729)	(15,815)	-	2,416,668	(120,833)	2,295,835
Grand Total per HB 1, Department of Housing and Community Affairs	11,484,471	5,485,384	850,077	867,481	18,687,413	(74,550)	(4,180)	(23,516)	(91,269)	20,715	18,514,613	(925,731)	17,588,882

Source: *Texas Department of Housing and Community Affairs*

8/5/2004

GENERAL REVENUE (GR) & GENERAL REVENUE DEDICATED (GR-D) BASELINE REPORT

DATE: 8/27/2004

TIME: 2:08:12PM

79th Regular Session, Agency Submission, Version 1

Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 332 Agency name: **Department of Housing and Community Affairs**

GR Baseline Request Limit = $17,588,882

GR-D Baseline Request Limit = $0

Strategy/Strategy Option/Rider	2006 Funds				2007 Funds				Biennial	Biennial	
	FTEs	Total	GR	Ded	FTEs	Total	GR	Ded	Cumulative GR	Cumulative Ded	Page #
Strategy: 1 - 1 - 1 **Federal Mortgage Loans through the MRB Program Below Conventional Rate**	11.3	932,948	0	0	11.3	936,905	0	0	0	0	____
Strategy: 1 - 1 - 2 **Provide Single Family Housing through HOME Investment Program**	8.6	34,817,030	0	0	8.6	34,810,084	0	0	0	0	____
Strategy: 1 - 1 - 3 **Provide Loans & Grants through HTF for Very Low/Low Income Households**	4.8	8,106,648	8,106,648	0	4.8	2,732,742	2,732,742	0	10,839,390	0	____
Strategy: 1 - 1 - 4 **Federal Rental Assistance through Section 8 Certificates and Vouchers**	8.0	10,357,386	0	0	8.0	10,286,277	0	0	10,839,390	0	____
Strategy: 1 - 1 - 5 **Provide Federal Tax Credits to Develop Rental Housing for VLI and LI**	10.5	671,771	0	0	10.5	675,133	0	0	10,839,390	0	____
Strategy: 1 - 1 - 6 **Provide Multifamily Housing through HOME Investment Program**	4.5	6,414,026	0	0	4.5	6,415,252	0	0	10,839,390	0	____
Strategy: 1 - 1 - 7 **Provide Loans & Grants through HTF for Very Low/Low Income**	2.2	659,430	659,430	0	2.2	317,127	317,127	0	11,815,947	0	____
Strategy: 1 - 1 - 8 **Federal Mortgage Loans through the MRB Program for Multifamily Units**	4.1	325,833	0	0	4.1	327,269	0	0	11,815,947	0	____
Strategy: 2 - 1 - 1 **Center for Housing Research, Planning, & Communications**	10.0	767,057	0	0	10.0	767,057	0	0	11,815,947	0	____
Strategy: 2 - 2 - 1 **Provide Technical Assistance to Colonias through Field Offices**	8.0	587,882	85,916	0	8.0	590,606	85,322	0	11,987,185	0	____
Strategy: 3 - 1 - 1 **Administer Poverty-related Federal Funds through a Network of Agencies**	16.2	35,609,283	0	0	16.2	35,583,995	0	0	11,987,185	0	____
Strategy: 3 - 2 - 1 **Administer State Energy Assistance Programs**	17.8	47,450,678	0	0	17.8	47,418,851	0	0	11,987,185	0	____
Strategy: 4 - 1 - 1 **Monitor and Inspect for Federal & State Housing Program Requirements**	28.0	2,417,495	0	0	28.0	2,449,942	0	0	11,987,185	0	____

GENERAL REVENUE (GR) & GENERAL REVENUE DEDICATED (GR-D) BASELINE REPORT

79th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/27/2004
TIME: 2:09:41PM

Agency code: 332 Agency name: Department of Housing and Community Affairs

GR Baseline Request Limit = $17,588,882
GR-D Baseline Request Limit = $0

Strategy/Strategy Option/Rider

2006 Funds FTEs	Total	GR	Ded	2007 Funds FTEs	Total	GR	Ded	Biennial Cumulative GR	Biennial Cumulative Ded	Page #
Strategy: 4 - 1 - 2 Administer & Monitor Subrecipient Contracts										
21.0	1,823,214	0	0	21.0	1,828,934	0	0	11,987,185	0	____
Strategy: 5 - 1 - 1 Provide SOL and Licensing Services in a Timely Manner										
25.0	1,179,273	476,432	0	25.0	1,199,431	469,042	0	12,932,659	0	____
Strategy: 5 - 1 - 2 Conduct Inspections of Manufactured Homes in a Timely Manner										
18.4	1,296,496	626,801	0	18.4	1,318,662	602,157	0	14,161,617	0	____
Strategy: 5 - 1 - 3 Process Complaints/Conduct Investigations/Take Administrative Actions										
20.6	1,323,783	572,622	0	20.6	1,346,459	548,330	0	15,282,569	0	____
Strategy: 6 - 1 - 1 Central Administration										
52.0	4,522;925	886,647	0	52.0	4,441,454	884,139	0	17,053,355	0	____
Strategy: 6 - 1 - 2 Information Resource Technologies										
18.0	1,335,813	185,360	0	18.0	1,342,118	189,750	0	17,428,465	0	____
Strategy: 6 - 1 - 3 Operating/Support										
9.0	530,871	78,916	0	9.0	534,023	81,501	0	17,588,882	0	____
298.0				**298.0**				******GR Baseline Request Limit=$17,588,882******		
Excp Item: 1 Emergency Nutrition/Temporary Emergency Relief Program										
0.0	3,000,000	3,000,000	0	0.0	3,000,000	3,000,000	0	23,588,882	0	____
Strategy Detail for Excp Item: 1										
Strategy: 3 - 1 - 1 Administer Poverty-related Federal Funds through a Network of Agencies										
0.0	3,000,000	3,000,000	0	0.0	3,000,000	3,000,000	0			
Excp Item: 2 System Benefit Fund										
0.0	10,767,000	0	0	0.0	10,767,000	0	0	23,588,882	0	____

Agency code: 332

Agency name: **Department of Housing and Community Affairs**

GR Baseline Request Limit = $17,588,882

GR-D Baseline Request Limit = $0

Strategy/Strategy Option/Rider										
2006 Funds				2007 Funds				Biennial	Biennial	
FTEs	Total	GR	Ded	FTEs	Total	GR	Ded	Cumulative GR	Cumulative Ded	Page #
Strategy Detail for Excp Item: 2										
Strategy: 3 - 2 - 1 **Administer State Energy Assistance Programs**										
0.0	10,767,000	0	0	0.0	10,767,000	0	0			
298.0	**$174,896,842**	**$14,678,772**	**$0**	**298.0**	**$169,089,321**	**$8,910,110**	**0**			

FULL-TIME EQUIVALENT POSITIONS

	2003	2004	2005	2006	2007
Regular Appropriations	374	313	313	313	313
Transfers					
Article IX, Sec 10.95, ORCA	-51	0	0	0	0
Unauthorized Number	-8.2	-33.2	-15	-15	-15
TOTAL, ADJUSTED FTES	314.8	279.8	298	298	298

2.A. SUMMARY OF BASE REQUEST BY STRATEGY

79th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

Goal / *Objective* / STRATEGY	Exp 2003	Est 2004	Bud 2005	Req 2006	Req 2007
1 Increase Availability of Safe/Decent/Affordable Housing					
1 *Make Loans/Grants/Incentives to Fund/Develop/Preserve Housing*					
1 MRB PROGRAM - SINGLE FAMILY	1,354,222	999,009	935,716	932,948	936,905
2 HOME PROGRAM - SINGLE FAMILY	31,384,059	36,472,506	39,800,216	34,817,030	34,810,084
3 HOUSING TRUST FUND - SINGLE FAMILY	2,495,516	3,045,060	2,902,964	8,106,648	2,732,742
4 SECTION 8 RENTAL ASSISTANCE	10,343,076	11,028,046	10,314,651	10,357,386	10,286,277
5 FEDERAL TAX CREDITS	1,215,589	976,698	691,331	671,771	675,133
6 HOME PROGRAM - MULTIFAMILY	2,003,238	2,476,455	6,399,999	6,414,026	6,415,252
7 HOUSING TRUST FUND - MULTIFAMILY	4,591,108	6,182,390	319,537	659,430	317,127
8 MRB PROGRAM-MULTIFAMILY	282,077	241,472	322,718	325,833	327,269
TOTAL, GOAL 1	**$53,668,885**	**$61,421,636**	**$61,687,132**	**$62,285,072**	**$56,500,789**
2 Provide Information and Technical Assistance					
1 *Provide Info & Technical Assistance for Housing and Community Services*					
1 HOUSING RESOURCE CENTER	450,336	747,904	748,198	767,057	767,057
2 *Promote Homeownership Along the Texas-Mexico Border*					
1 COLONIA SERVICE CENTERS	578,579	530,152	595,866	587,882	590,606
TOTAL, GOAL 2	**$1,028,915**	**$1,278,056**	**$1,344,064**	**$1,354,939**	**$1,357,663**
3 Improve Livng Conditns for Poor/Homeless & Reduce Enery Costs for VLI					
1 *Ease Hardships for 16% of Homeless & Very Low Income Persons Each Year*					
1 POVERTY-RELATED FUNDS	35,720,773	35,980,050	35,515,707	35,609,283	35,583,995
2 *Reduce Cost of Home Energy for 6% of Very Low Income Households*					

2.A. SUMMARY OF BASE REQUEST BY STRATEGY
79th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

Agency code: 332 Agency name: **Department of Housing and Community Affairs**

Goal / *Objective* / STRATEGY	Exp 2003	Est 2004	Bud 2005	Req 2006	Req 2007
1 ENERGY ASSISTANCE PROGRAMS	65,051,001	49,256,092	48,561,640	47,450,678	47,418,851
TOTAL, GOAL 3	**$100,771,774**	**$85,236,142**	**$84,077,347**	**$83,059,961**	**$83,002,846**
4 Ensure Compliance with Program Mandates					
1 *Monitor Developments & Subrecipient Contracts for Compliance*					
1 MONITOR HOUSING REQUIREMENTS	2,262,827	1,984,676	2,117,391	2,417,495	2,449,942
2 MONITOR CONTRACT REQUIREMENTS	732,318	1,257,916	1,816,441	1,823,214	1,828,934
TOTAL, GOAL 4	**$2,995,145**	**$3,242,592**	**$3,933,832**	**$4,240,709**	**$4,278,876**
5 Regulate Manufactured Housing Industry					
1 *Operate a Regulatory System Ensure Responsive SOL/Licensing/Other*					
1 TITLING AND LICENSING	801,379	1,006,289	1,142,064	1,179,273	1,199,431
2 INSPECTIONS	1,604,161	1,533,278	1,254,733	1,296,496	1,318,662
3 ENFORCEMENT	2,222,112	1,316,200	1,282,755	1,323,783	1,346,459
TOTAL, GOAL 5	**$4,627,652**	**$3,855,767**	**$3,679,552**	**$3,799,552**	**$3,864,552**
6 Indirect Administrative and Support Costs					
1 *Indirect Administrative and Support Costs*					
1 CENTRAL ADMINISTRATION	3,999,014	3,807,084	4,363,573	4,522,925	4,441,454
2 INFORMATION RESOURCE TECHNOLOGIES	1,395,190	1,236,281	1,326,777	1,335,813	1,342,118
3 OPERATING/SUPPORT	541,464	500,811	534,696	530,871	534,023
TOTAL, GOAL 6	**$5,935,668**	**$5,544,176**	**$6,225,046**	**$6,389,609**	**$6,317,595**
TOTAL, AGENCY STRATEGY REQUEST	**$169,028,039**	**$160,578,369**	**$160,946,973**	**$161,129,842**	**$155,322,321**

DATE: 8/27/2004
TIME: 2:10:17PM

Agency code: 332 Agency name: **Department of Housing and Community Affairs**

Goal / *Objective* / STRATEGY	Exp 2003	Est 2004	Bud 2005	Req 2006	Req 2007
TOTAL, AGENCY RIDER APPROPRIATIONS REQUEST*				**$0**	**$0**
GRAND TOTAL, AGENCY REQUEST	**$169,028,039**	**$160,578,369**	**$160,946,973**	**$161,129,842**	**$155,322,321**
METHOD OF FINANCING:					
1 General Revenue Fund	$9,807,783	$11,437,623	$5,365,348	$10,865,742	$5,097,080
127 Community Affairs Federal Fund No. 127	$133,259,385	$136,422,767	$142,560,973	$135,505,609	$135,387,385
666 Appropriated Receipts	$13,328,474	$11,784,858	$11,916,197	$13,862,461	$13,941,826
777 Interagency Contracts	$1,579,303	$82,967	$242,967	$83,000	$83,000
852 System Benefit Trust Fund	$10,121,405	$0	$0	$0	$0
888 Earned Federal Funds	$931,689	$850,154	$861,488	$813,030	$813,030
TOTAL, METHOD OF FINANCING	**$169,028,039**	**$160,578,369**	**$160,946,973**	**$161,129,842**	**$155,322,321**

*Rider appropriations for the historical years are included in the strategy amounts.

2.C. SUMMARY OF BASE REQUEST BY OBJECT OF EXPENSE

79th Regular Session, Agency Submission, Version 1
Automated Budget and Evaluation System of Texas (ABEST)

DATE: 8/27/2004
TIME: 2:11:55PM

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

OBJECT OF EXPENSE	Exp 2003	Est 2004	Bud 2005	BL 2006	BL 2007
1001 SALARIES AND WAGES	$14,540,086	$13,323,341	$14,281,325	$14,396,285	$14,461,285
1002 OTHER PERSONNEL COSTS	$501,143	$567,736	$416,083	$415,757	$415,757
2001 PROFESSIONAL FEES AND SERVICES	$1,936,682	$1,256,571	$2,127,407	$2,687,820	$2,445,460
2003 CONSUMABLE SUPPLIES	$126,845	$126,442	$164,288	$209,220	$209,220
2004 UTILITIES	$86,317	$44,506	$59,951	$71,450	$71,450
2005 TRAVEL	$738,551	$582,059	$750,136	$763,701	$763,701
2006 RENT - BUILDING	$1,871,232	$1,877,333	$1,991,897	$1,977,311	$1,977,311
2007 RENT - MACHINE AND OTHER	$146,870	$79,062	$99,597	$98,797	$98,797
2009 OTHER OPERATING EXPENSE	$1,820,853	$1,946,093	$1,814,334	$1,754,136	$1,743,136
3001 CLIENT SERVICES	$9,256,765	$9,963,050	$9,253,087	$9,251,347	$9,251,347
4000 GRANTS	$137,945,476	$130,734,377	$129,988,868	$129,451,068	$123,750,907
5000 CAPITAL EXPENDITURES	$57,219	$77,799	$0	$52,950	$133,950
OOE Total (Excluding Riders)	**$169,028,039**	**$160,578,369**	**$160,946,973**	**$161,129,842**	**$155,322,321**
OOE Total (Riders)				**$0**	**$0**
Grand Total	**$169,028,039**	**$160,578,369**	**$160,946,973**	**$161,129,842**	**$155,322,321**

FY 2006-2007 Information Technology Detail Summary
August 23, 2004

ITD Project	FY 2006 Capital Budget	FY 2006 Methods of Finance	FY 2007 Capital Budget	FY 2007 Methods of Finance
1. Normal Growth	$140,000.00	Appropriated Receipts: $98,000 Federal Funds: $42,000	$210,000.00	Appropriated Receipts: $147,000 Federal Funds: $63,000
2. PeopleSoft 8.8 Implementation	$400,000.00	Appropriated Receipts: $200,000 Federal Funds: $200,000	$200,000.00	Appropriated Receipts: $100,000 Federal Funds: $100,000
3. Community Services/Energy Assistance Contract System	$100,000.00	Federal Funds: LIHEAP - $58,000 CSBG - $42,000	$100,000.00	Federal Funds: LIHEAP - $58,000 CSBG - $42,000
4. Section 8 System	$65,000.00	Federal Funds: $65,000	$0.00	NA
Total	**$705,000.00**		**$510,000.00**	

1. The Normal Growth project funds server and end-user hardware and software and achieves the goals of delivering suitable PCs, laptops, printers, and related end-user hardware and of upgrading LAN server and network hardware to achieve performance and reliability gains through the acquisition and installation of scaleable, easily integrated equipment.

2. The PeopleSoft 8.8 Implementation project is required for TDHCA to upgrade from version 7.02 to the web-based 8.8 in order to stay up-to-date with the version supported by the Office of the Comptroller's Integrated Statewide Administrative System (ISAS) group and PeopleSoft and that is compatible with currently supported versions of the database back-end software (Oracle).

3. The Community Services/Energy Assistance Contract System project involves converting the legacy contract system used for the Department's Energy Assistance, Weatherization Assistance, Community Services Block Grant, and Emergency Shelter Grant programs to a web-based system that is integrated with the agency cash log and with PeopleSoft for disbursement of funds. Certain contract information will also be exported to Central Database reporting tables for agency wide reporting purposes.

4. The Section 8 System project involves purchasing an off-the-shelf software package that will replace the Department's three legacy Section 8 systems and will provide for an enhanced interface to PeopleSoft.

Agency Code:	Agency Name:	Prepared By:	Date:	Request Level:
332	Tx Dept of Housing and Community Affairs	Elena Peinado	8/27/04	Base

Current Rider Number	Page Number in 2004-05 GAA	Proposed Rider Language
1	VII-10-11	**Capital Budget.** None of the funds appropriated above may be expended for capital budget items except as listed below. The amounts shown below shall be expended only for the purposes shown and are not available for expenditure for other purposes. Amounts appropriated above and identified in this provision as appropriations either for "Lease Payments to the Master Lease Purchase Program" or for items with an "(MLPP)" notation shall be expended only for the purpose of making lease-purchase payments to Government Code 1232.103. Upon approval from the Legislative Budget Board, capital budgeted funds listed below under "Acquisition of Information Resource Technologies" may be used to lease information resources hardware and/or software versus the purchase of information resources hardware and/or software, if determined by agency management to be in the best interest of the State of Texas.

	2006 ~~2004~~	2007 ~~2005~~
(a) Acquisition of Information Resource Technologies		
(1) Normal Growth/Integrate Systems	$140,000 ~~$175,000~~	$210,000 ~~$170,000~~
(2) ~~Peoplesoft Accounting System~~ Peoplesoft 8.8 Implementation	$400,000 ~~$60,000~~	$200,000 ~~$40,000~~
(3) ~~Disaster Recovery~~ Community Services/Energy Assistance Contract System	$100,000 ~~$15,000~~	$100,000 ~~$15,000~~
(4) ~~Enhancements Compliance~~ Section 8 System	$65,000 ~~$135,000~~	~~$110,000~~

Current Rider Number	Page Number in 2004-05 GAA	Proposed Rider Language
		(5) ~~Central Database~~ ~~$135,000~~ ~~$125,000~~ (6) ~~WAP Software Development Project~~ ~~$60,000~~ ~~$40,000~~ TOTAL Capital Budget $705,000 $510,000 ~~$580,000~~ ~~$500,000~~ Method of Financing (Capital Budget): 2006 ~~2004~~ 2007 ~~2005~~ Community Affairs Federal Fund No. 127 $407,000 $263,000 ~~$187,460~~ ~~$161,360~~ Appropriated Receipts $298,000 $247,000 ~~$392,540~~ ~~$338,640~~ TOTAL Method of Financing: $705,000 $510,000 ~~$580,000~~ ~~$500,000~~
3	VII-11	**Housing Assistance**. The department ~~housing finance division~~ shall adopt an annual goal to apply no less than $30,000,000 of the department's ~~divisions'~~ total housing funds toward housing assistance for individuals and families earning less than 30 percent of median ~~in which the annual~~ family income. ~~does not exceed the following amounts based on the number of persons in the family~~: ~~Number of Persons in the family — Maximum annual income~~ ~~1 person — $13,000~~ ~~2 persons — $16,000~~ ~~3 persons — $17,500~~ ~~4 persons — $19,000~~ ~~5 persons — $21,000~~ ~~For each additional person, add $1,500~~. No less than 20 percent of the department's ~~division's~~ total housing funds shall be spent for individuals and families earning between 31 percent and 60 percent of

Current Rider Number	Page Number in 2004-05 GAA	Proposed Rider Language
		median family income. In those counties where the median family income is lower than the state average median family income, the department shall use the average state median income in interpreting this rider. The department shall provide an annual ~~quarterly~~ report to the Legislative Budget Board documenting its expenditures in each income category. *Explanation:* *The Department requests this change to reflect more accurately its current structure and to allow for more effective and efficient reporting in a manner consistent with the goal of the rider. The current language of the rider reflects Department divisions no longer in place. By referencing the "department's total housing funds," the language avoids this problem and subjects all housing funds administered by the Department to meet this goal. The goal of the rider is to ensure that the Department's housing funds are targeted to those most in need. However, the actual reporting requirements in the current rider language are inconsistent with federal and state requirements and difficult to provide with accuracy. Federal and state housing programs require TDHCA to target and report on households served based on their median family income. Actual income figures are not known until a year or two after the funds have been distributed. The Department requests permission to replace the fixed income guidelines with the lowest income category reported for federal and state housing programs, i.e., up to 30% of area median family income or extremely low income. In addition to allowing for efficient reporting consistent with other reporting requirements, this provides income levels consistent with current economic conditions. U.S. Department of Housing and Urban Development annually adjusts area median family income baseline to reflect updated local economic conditions. The Department requests that this information be reported annually since many of the Department's funding cycles are annual; quarterly reporting provides limited additional information.*
~~7~~	~~VII-12~~	~~**Rider 7, Limitation on Expenditure.** Under Strategy A.1.4, Federal Tax Credits, no funds shall be used for processing or approving applications for allocations unless the department adopts or amends administrative rules containing the following: a. All representations made by an applicant for an allocation are enforceable by the department, including enforcement by administrative penalties for failure to perform as stated in the representations and enforcement by inclusion in deed restrictions to which the department is a party. b. The department will require inspections of all construction for~~

Current Rider Number	Page Number in 2004-05 GAA	Proposed Rider Language
		~~quality during the construction process while defects can reasonably be corrected. c. A general contractor hired by an applicant or an applicant, if the applicant serves as general contractor, must demonstrate a history of constructing similar types of housing without the use of federal tax credits. d. The department shall give notice of a proposed project to the state representative and senator representing the area where a project would be located. The state representative or senator may hold a community meeting at which the department shall provide appropriate representation. e. The department shall allocate credits among as many different entities as practicable without diminishing the quality of the housing that is built.~~ *Explanation:* *The Department requests that the language be deleted as the required rules have been adopted and the subject matter is now included in Chapter 2306, Subchapter DD, of the Government Code.*
8	VII-12	**Appropriations Limited to Revenue Collections.** It is the intent of the Legislature that fees, fines, and other miscellaneous revenues as authorized and generated by the agency cover, at a minimum, the cost of the appropriations made above for the strategy items in Goal E, Manufactured Housing, the cost of the appropriations required for manufactured housing consumer claims payments according to the Occupations Code § 1201, Manufactured Housing Standards Act, as well as the "other direct and indirect costs" associated with this goal, appropriated elsewhere in this Act. "Other direct and indirect costs" for Goal E, Manufactured Housing, are estimated to be $914, 539 for fiscal year ~~2004~~ 2006 and $978,830 for fiscal year ~~2005~~ 2007. In the event that actual and/or projected revenue collections are insufficient to offset the costs identified by this provision, the Legislative Budget Board may direct that the Comptroller of Public Accounts reduce the appropriation authority provided above to be within the amount of revenue expected to be available. *Explanation* *The years have been updated to reflect the 2006-07 biennium.*
10	VII-13	**Conversions of Executory Contracts.** and Refinancing of Existing Mortgages. Out of funds appropriated above, the department shall spend not less than $4,000,000 for the biennium for the ~~sole~~

Current Rider Number	Page Number in 2004-05 GAA	Proposed Rider Language
		purpose of contract for deed conversions or to refinance existing mortgages that have an Annual Interest Rate exceeding two-percent (2%) of the posted yield for Freddie Mac 60 day mortgage commitments as reported in the Money Rates table of the applicable Wall Street Journal for families that reside in a colonia and earn 60 percent or less of the applicable area median family income. It is the intent of the Legislature that the department complete at least 200 ~~400~~ contract for deed conversions or refinancing of such existing mortgages by August 31, 2007 ~~2005.~~ *Explanation* *The Department requests the revision to reflect more accurately current financing needs and associated costs. The Department has found that many colonia developers, in reaction to state efforts to curtail abuses associated with contracts for deed, are converting these to warranty notes with vendor's lien. These warranty notes typically carry high interest rates that are a burden to the households and, as did the contracts for deed, put families at great risk of losing their homes and investments. Therefore the Department is asking that required activities under this rider be expanded to refinancing. The Department is requesting that the number of loans required each year be reduced to reflect current costs associated with conversions and future refinancings. The Department estimates an average cost of $20,000 based on historical information.*
~~11~~	~~VII-13~~	~~**Colonia Annual Assessment.** The department shall collect information on the demand for contract for deed conversion, self-help housing, consumer education, and other colonia resident services in counties within 150 miles of the Texas-Mexico border. The department shall include the assessment of colonias needs in its annual state low income housing plan and report listing policy goals for its colonia programs, the strategies to meet the goals, and the expected outcomes~~ *Explanation:* *The Department requests that this rider be deleted as this assessment is duplicative of the biennial action plan that is required to be part of the State Low Income Housing Plan pursuant to §2306.0721(c)(12).*

Current Rider Number	Page Number in 2004-05 GAA	Proposed Rider Language
13	VII-13	**Colonia Set-Aside Program Allocation.** The Office of Rural Community Affairs shall allocate 2.5 percent of the yearly allocation of Community Development Block Grant (CDBG) monies to support the operation of the Colonia Self-Help Centers and shall transfer such funds to the Department of Housing and Community Affairs on September 1 each year of the biennium. Consistent with federal rules and regulations, the funds provided from ORCA to the Colonia Self-Help Center in El Paso county shall be used to provide Internet access and training for parents and their children attending elementary schools in Colonias, to establish Technology Centers within those elementary school libraries, to purchase wireless devices and laptop computers to loan out from the Technology Centers, and improve Internet access for students and parents. ~~In operating the Colonia Self-Help Centers, the Department of Housing and Community Affairs shall provide \$2.5 million each year except CDBG funds to fund the administration and operations of the Colonia Self-Help Centers.~~ *Explanation:* *The Department requests that the third paragraph be deleted as the CDBG Program was transferred to Office of Rural Community Affairs (ORCA) by the 77th Legislature and TDHCA is no longer the state administrator for the CDBG program. This rider appropriately appears in ORCA's bill pattern. Other than the CDBG funds received through ORCA, TDHCA does not have funds available that can be used solely for administration and operations.*
14	VII-13	**Appropriation: Housing Trust Fund Interest Earnings and Loan Repayments.** Interest earnings and loan repayments received from loans made through the Housing Trust Fund program from amounts appropriated out of the General Revenue Fund for Strategy A.1.1., Housing Trust Fund, estimated to be \$600,000 ~~\$350,000~~ each year. *Explanation* *Figure updated to reflect current estimate.*

Current Rider Number	Page Number in 2004-05 GAA	Proposed Rider Language
15	VII-13	**Unexpended Balances,** ~~**Grants and Contracts.**~~ Unexpended general revenue balances remaining in Strategy A.1.1, Housing Trust Fund, as of August 31, 2005 ~~2003~~, are included above in the same strategy for the fiscal year beginning September 1, 2005 ~~2003 (estimated to be $6,000,000)~~. Any general revenue balances remaining in Strategy A.1.1, Housing Trust Fund, as of August 31, 2005 ~~2004~~, are appropriated to the same strategy beginning on September 1, 2005 ~~2004~~. *Explanation* *The Department requests this revision to clarify the purpose of the rider and update the language of the Rider. The Department estimates the unexpended balance for the HTF on August 31, 2005 will be approximately $6,000,000. The vast majority of these funds are committed and currently under contract.*
~~16~~	~~VII-14~~	~~**Emergency Nutrition and Temporary Relief Program (ENTERP).** Out of the amounts appropriated above, $342,860 in fiscal year 2004 and $350,160 in fiscal year 2005 in Federal Funds shall be used for the Emergency Nutrition and Temporary Relief Program (ENTERP) to provide relief to needy low-income Texans if allowed under federal regulations.~~ *Explanation* *The Department requests that this language be deleted since the amount authorized to be spent in federal funds is too small to be effectively split among all 254 counties as required by state law. The rider is also not necessary as the federal funds available for this purpose are already being used to provide emergency assistance as required by federal law.*
~~17~~	~~VII-14~~	~~**Sunset Contingency.** Funds appropriated above for fiscal year 2005 for the Department of Housing and Community Affairs are made contingent on the continuation of the Department of Housing and Community Affairs by the Seventy-eighth Legislature. In the event the agency is not continued, the funds appropriated for fiscal year 2004 or as much thereof as may be necessary are to be used to provide for the phaseout of agency operations.~~

Current Rider Number	Page Number in 2004-05 GAA	Proposed Rider Language
		Explanation *This rider is no longer needed. TDHCA has been continued until September 1, 2011 by Senate Bill 264, Seventy-eighth Legislature.*
18	VII-14	**Appropriation: Manufactured Homeowner Consumer Claims.** Included above in Goal E, Manufactured Housing, the Manufactured Housing Division of the Department of Housing and Community Affairs is appropriated an amount, not to exceed $100,000 per year for the biennium, required for the purpose of paying manufactured housing consumer claims according to the Occupation Code § 1201, Manufactured Housing Standards Act, from ~~title transactions~~ Statement of Ownership and Location (SOL) issuance fees involving manufactured housing collected and deposited in the General Revenue Fund during the ~~2004-05~~ 2006-07 biennium. *Explanation* *The Department requests the language change to reflect current law. The years have also been updated.*
701	*Proposed New Rider*	**Appropriation of Receipts.** All fees that the Texas Department of Housing and Community Affairs is authorized by statute to collect are hereby appropriated for the purposes named in statute for the biennium beginning September 1, 2005. *Explanation* *The Department requests this new rider to clarify allowed use of funds and thereby enable the Department to respond to needs more effectively.*
702	*Proposed New Rider*	**Affordable Housing and Information Research.** All fees received by the Texas Department of Housing and Community Affairs from the Bond Review Board pursuant to Section 1372.006(a), Texas

Current Rider Number	Page Number in 2004-05 GAA	Proposed Rider Language
		Government Code, are included above in Strategy B.1.1, Provide Information/Technical Assistance, and shall be used to establish and implement the affordable housing research and information program provided for in Section 2306.259, Texas Government Code. *Explanation* *The Department requests this new rider to implement requirements of Sections 1372.006(a) and 2306.259, Texas Government Code. This will result in an increase of approximately $708,000 for each year of the biennium under Strategy B.1.1. These funds were not included in the Department's 2004-2005 bill pattern.*
703	*Proposed New Rider*	**Colonia Assistance.** The Texas Department of Housing and Community Affairs (Department) and the Office of Rural Community Affairs (Office) shall continue to coordinate the provision of services to the residents of the colonias along the international border with Mexico. From the federal funds transferred from the Office to the Department under the Community Development Block Grant Program, the Department will use $357,160 for each year of the biennium to fund its border field offices and for the administration of the colonia self-help centers.. *Explanation* *The Department requests this rider to reflect use of Community Development Block Program administrative funds transferred from the Office to the Department pursuant to Chapter 487, Texas Government Code, in support of the colonia self-help centers.*

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

CODE	DESCRIPTION	Excp 2006	Excp 2007
	Item Name: Emergency Nutrition/Temporary Emergency Relief Program		
	Item Priority: 1		
	Includes Funding for the Following Strategy or Strategies: 03-01-01 Administer Poverty-related Federal Funds through a Network of Agencies		
OBJECTS OF EXPENSE:			
1001	SALARIES AND WAGES	124,386	124,386
2003	CONSUMABLE SUPPLIES	1,864	1,864
2005	TRAVEL	23,750	23,750
4000	GRANTS	2,850,000	2,850,000
	TOTAL, OBJECT OF EXPENSE	**$3,000,000**	**$3,000,000**
METHOD OF FINANCING:			
1	GENERAL REVENUE FUND	3,000,000	3,000,000
	TOTAL, METHOD OF FINANCING	**$3,000,000**	**$3,000,000**

DESCRIPTION / JUSTIFICATION:

The Department is requesting $6 million in General Revenue over the 2006-2007 biennium to administer the Emergency Nutrition/Temporary Emergency Relief Program (ENTERP), the only state emergency relief program aimed at extremely low income to low income persons. ENTERP is authorized under Section 2306, Subchapter CC, Texas Government Code, to provide county government the ability to offer basic temporary and emergency assistance, such as food, blankets, utility assistance and rent, to people who find themselves in a crisis situation. Funding is allocated to counties based on population served and unemployment rate. Short term assistance of this kind can oftentimes mean the difference between long term self-sufficiency and long term poverty or even homelessness. A survey from the Texas Homeless Network found that the inability to pay rent or mortgage was one of the primary reasons for homelessness among survey respondents. The funding would be especially beneficial to the rural communities of the state that possess fewer alternative resources. By providing family assistance in a time of need, this program would help both the families and society avoid the greater costs of ingrained poverty and homelessness.

EXTERNAL/INTERNAL FACTORS:

CODE	DESCRIPTION	Excp 2006	Excp 2007

The high level of poverty in the state indicates a large population that does not have financial resources available during times of crisis. In 2002, an estimated 3.4 million people in Texas live below the federal poverty guidelines. Six of the ten counties in the entire nation with the highest poverty rates are in Texas (Starr, Zavala, Presidio, Brooks, Maverick and Willacy counties). This level of poverty, together with recent weather-related energy crises, escalating energy costs, and the recent down-turn in the economy, increases the demand for emergency services and places additional demand on counties.

State law requires that ENTERP funding be distributed to each of the state's 254 counties. Given this, the Department estimates that a funding level of $3 million per year would be the minimum needed to make this program effective. This amount would fund ENTERP at a level that is minimally sufficient to assist the increasing poverty population in Texas and at a level that counties would be willing to administer. The Department anticipates that this would allow counties or their nonprofit designees to assist approximately 50,000 persons per year. While federal Community Services Block Grant (CSBG) funds administered by TDHCA provide some analogous service, CSBG funding must also provide other services, and the majority of CSBG funds must be funneled through designated nonprofit contractors.

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

CODE	DESCRIPTION	Excp 2006	Excp 2007
	Item Name: System Benefit Fund		
	Item Priority: 2		
	Includes Funding for the Following Strategy or Strategies: 03-02-01 Administer State Energy Assistance Programs		
	OBJECTS OF EXPENSE:		
1001	SALARIES AND WAGES	107,670	107,670
4000	GRANTS	10,659,330	10,659,330
	TOTAL, OBJECT OF EXPENSE	**$10,767,000**	**$10,767,000**
	METHOD OF FINANCING:		
852	SYSTEM BENEFIT TRUST FUND	10,767,000	10,767,000
	TOTAL, METHOD OF FINANCING	**$10,767,000**	**$10,767,000**

DESCRIPTION / JUSTIFICATION:

The Department is requesting $10,767,000 each for SFY 2006 and SFY 2007 to fund the low income energy efficiency component of the System Benefit Fund (SBF). TDHCA would leverage these funds with federal Weatherization Assistance for Low Income Persons (WAFLIP) and Low Income Home Energy Assistance Program (LIHEAP) funds to serve eligible households not currently or adequately served through existing programs. TDHCA will retain 1% of each year's funds to offset state administration. The remaining 99% will be provided to subrecipients for programmatic and administrative costs. Through SBF funding received for SFY 2002 and 2003, the Department was able to weatherize 5,343 units and provide other energy conservation measures. The funding allowed TDHCA to reach poorer households than typically served through the Weatherization Assistance Program (WAP) in deregulated areas of the state by combining SBF and WAP funds. The U.S. Department of Energy (DOE) estimates the national average for energy savings for weatherized homes to be $250 annually; these measures also provide households a healthier environment. SBF supports the Department's Goal 3, to improve the living conditions for the poor and homeless and reduce the cost of home energy for very low income Texans, and the state's Priority Goal 3, to provide public assistance through an efficient and effective system that promotes health, responsibility and self-sufficiency of individuals and families.

EXTERNAL/INTERNAL FACTORS:

Agency code: **332** Agency name: **Department of Housing and Community Affairs**

CODE	DESCRIPTION	Excp 2006	Excp 2007

Because of federal limits on expenditures, WAP funds often cannot serve the poorest of the poor. DOE regulations limit funds used for weatherization to a maximum of $2,672 per unit. Homes that require energy conservation beyond this limit in order to be effective cannot be weatherized and must be denied services; typically, affected households are of lower incomes than other WAP clients. (WAP provides energy conservation measures for eligible very low income households. These measures provide for a healthier environment for the family served and help reduce the family's energy cost burden. The program prioritizes populations most vulnerable to extreme weather conditions such as elderly persons 60 years of age and older, persons with disabilities, and households with young children under 6 years of age. High residential energy users and households with high energy cost burdens are also prioritized. The Department will only provide energy conservation measures to a home if the measures will be effective and provide the consumer anticipated savings in utility costs that are at least equal to the cost of the measures. Anticipated savings are calculated based on the life of the measures.)

Because of revenue shortfalls, the 78th Legislature did not fund the weatherization component of the SBF, reducing the Department's ability to reach homes not serviceable through WAP alone. In the current climate of ever increasing electric costs, the need to provide more energy conversation measures and weatherize more houses continues to grow.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST
September 9, 2004

Action Item

Presentation of the Proposed Methodology for the 2005 TDHCA Affordable Housing Needs Score (AHNS)

Required Action

Review and comment on the proposed 2005 Affordable Housing Need Score methodology. This scoring component is part of the *State Low Income Housing Plan and Annual Report* (SLIHP) which will be released for public comment following the September Board Meeting. Because the score has an impact on the HOME, Housing Tax Credit (HTC), and Housing Trust Fund (HTF) programs' funding dispersion, this item is discussed separately from the SLIHP.

Background

The scoring criteria used to evaluate HOME, HTC, and HTF applications include an Affordable Housing Needs Score (AHNS). While not legislatively required, the AHNS is an extension of the Regional Allocation Formula (RAF) concept in that it provides a comparative assessment of each county and place's[1] level of need relative to other areas within each of the 13 State Service Regions. Through the AHNS, applicants are encouraged to request funding to serve communities that have a high proportion of the region's affordable housing need. Slightly modified versions of the AHNS are used for the HOME and HTF/HTC programs because the programs have different eligible activities, households, and geographical areas. The formula is submitted annually for public comment and the final version is published in the SLIHP.

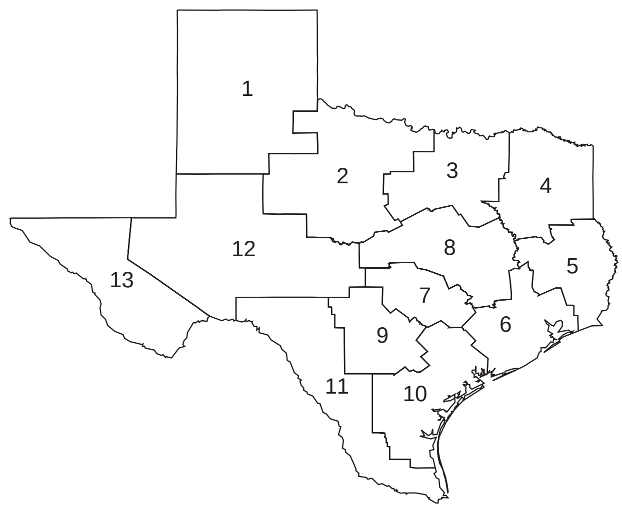

Figure 1. Uniform State Service Regions

Proposed Formula

Considering Affordable Housing Need

The AHNS assigns points to geographic areas based on objective measures of their affordable housing need. The four following 2000 US Census need measures are used to assign these scores.

- **Poverty**: Number of persons in the region who live in poverty.
- **Cost Burden**: Units with a monthly gross rent or mortgage payment to monthly household income ratio that exceeds 30 percent.
- **Overcrowded Units**: Units with more than one person per room.

[1] County scores are not generated for rental development activities. Development sites located outside the boundaries of a place (as designated by the US Census) will utilize the score of the place whose boundary is closest to the development site. County scores reflect the average score of all the places within the county.

- **Units with Incomplete Kitchen or Plumbing**: Units that do not have all of the following: a sink with piped water; a range or cook top and oven; refrigerator, hot and cold piped water, a flush toilet, and a bathtub or shower.

Because the need measures used in the AHNS reflect the three funding sources' eligible households and activities, the data follows these guidelines.

- Except for the poverty data, the data sets relate to households at or below 80% of the Area Median Family Income (AMFI).
- Since the HTC/HTF AHNS primarily affects rental development activities, the HTC/HTF AHNS data relates specifically to renter households. Poverty data is the exception as only information on all households is available. Since the HOME program supports renter and owner activities, data for all households (renter and owner) is used to generate scores for all HOME activities.
- Because 95% of HOME funds must be expended in non-participating jurisdictions (PJ), only non PJ data is included in the HOME formula.

Each need measure is weighted to reflect its perceived relevance in assessing affordable housing need. Because of the significant number of persons in poverty and its value as an overall measure of need, half the formula weight is associated with this measure. The other half of the measure weight is proportionately allocated based on the relative size of the remaining measures. As each measure's relative number of impacted persons or households does not vary significantly within the renter only and renter and owner data sets, renter and owner data is used to assign both formulas' measure weight percentages. The population size of each measure is provided below in *Table 1. Relative Size of the Measure Populations*. The resulting measure weights are: poverty = 50 percent, cost burden = 36 percent, overcrowding = 12 percent, and substandard housing = 2 percent.

Table 1. Size of the Measure Populations

Poverty	Renter Cost Burden	Renter Overcrowding	Incomplete Kitchen or Plumbing
3,117,609	1,263,817	435,309	58,065

The following steps calculate the AHNS.

1. For each measure, the data is used to quantify the area's level of affordable housing need in two ways.
   a. The ratio of the county's level of need to the region's level of need is calculated. This ratio shows the **distribution of the measure** across the region.
   b. The ratio of the area's measure population to the area's total related population (i.e. for rental cost burden it would be total renters) is calculated. This ratio shows the **concentration of the measure** within an area.
2. The corresponding measure weights are assigned to the **distribution of the measure** and **concentration of the measure** ratios.
3. The area's weighted measure ratios are summed to calculate the area's overall **distribution of need percentage** and **concentration of need percentage**.
4. Up to three points are separately assigned to the area's **distribution of need** and **concentration of need** percentages. This assignment is made using a sliding scale that compares the area's need with that of the other places in the region. The scale is set up to group a fairly equal number of the region's areas within each range of the sliding point scale.
5. Each area's resulting **distribution of need points** and **concentration of need points** are combined to generate a score of up to six points for the area's AHNS.

Consideration of Urban and Rural Need
To assist with the rural and urban/exurban distribution of funds required under the RAF, each area and corresponding AHNS is classified according to the RAF's geographic area definitions.

Rural
1. A place that is outside the boundaries of a metropolitan statistical area (MSA);
2. or within the boundaries of a MSA, if the place has a population of 20,000 or less and does not share a boundary with a place that has a population greater than 20,000.

Urban/Exurban
1. Any place that does not satisfy the Rural place definition;
2. or an area located outside the boundaries of a place and in a census tract that has a population density greater than 1,200[2] people per square mile.

Summary of Proposed Changes from the 2004 AHNS
Significant differences between the final 2004 AHNS and the Proposed 2005 AHNS are below described.

Maximum Score Value
- The maximum AHNS has been decreased from 20 points to six points. The main reason for this change is to respond to the Attorney General's decision on the valuation of the selection criteria items within the HTC program's Qualified Allocation Plan. Because of the required substantial decrease in the maximum AHNS point value, it was determined that some of the factors used in the AHNS should be eliminated. Therefore, the following two portions of the AHNS were eliminated.
  - The TDHCA 2003 Community Needs Survey (CNS) points.
  - The bonus provided to places where TDHCA HTC, HOME, and HTF funding awards have not been made during the preceding two program allocation cycles.

  While the previous AHNS methodology placed a much higher value on an area's need for affordable housing, it is thought that the change will not significantly impact the application scoring systems. The CNS portion of the score was rather small to begin with and the program rules already contain threshold and selection criteria requirements that relate to previous TDHCA funding awards.

Consideration of Affordable Housing Need
- The Census need data has been updated to better reflect the programs' eligible household incomes. With the exception of the poverty numbers, last year's need data applied to all income levels. In the past year, the US Census Bureau, working in conjunction with HUD, released the Comprehensive Housing Affordability Strategy (CHAS) data set that provides housing problem data at various income levels. This data allows the AHNS to focus on households at or below 80 percent of the Area Median Family Income. The CHAS data also combines the separate substandard plumbing and substandard kitchen data into a single measure.
- With the release of the CHAS data, the measure weights were reevaluated to reflect the new numbers and combined substandard plumbing and kitchen measure. The previous measure weights were: poverty = 50 percent, cost burden = 35 percent, overcrowding = 7.5 percent, substandard plumbing = 7.5 percent, and substandard kitchen = 7.5 percent. The new measure weights are: poverty = 50 percent, cost burden = 36 percent, overcrowding = 12 percent, and substandard housing = 2 percent.
- For the HOME program, need (and resource) data associated with non-PJ places within non-PJ counties was not included in the AHNS analysis. It has been determined that these areas are eligible to and do receive HOME funding from the Department. Therefore, their associated need data is now included in the formula.

[2] 1,200 persons per square mile is approximately equal to the average population density of urban categorized places with a population less than 100,000.

Draft 2005 HOME Affordable Housing Need Scores (AHNS)
Place Level

(Sorted by Region then Place.)

Instructions:

Use this table to determine the AHNS of an application that will serve a **single** place.

Special Circumstances

(1) Rental Development activities that are not located within a place's jurisdiction will utilize the score of closest place.

(2) Participating Jurisdictions (PJ) recieve a score of zero and are not included in the table.

All questions relating to scoring an application under the AHN Scoring Component should be submitted in writing to Skip Beaird via facsimile at (512) 475-0908 or by email at sbearid@tdhca.state.tx.us.

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
1	Abernathy	Rural	2,839	3	0.6	4
1	Adrian	Rural	159	0.6	3	4
1	Amherst	Rural	791	2.4	3	5
1	Anton	Rural	1,200	3	2.4	5
1	Bishop Hills	Rural	210	0.6	0.6	1
1	Booker	Rural	1,315	1.2	1.8	3
1	Borger	Rural	14,302	2.4	0.6	3
1	Bovina	Rural	1,874	2.4	2.4	5
1	Brownfield	Rural	9,488	2.4	3	5
1	Buffalo Springs	Rural	493	2.4	0.6	3
1	Cactus	Rural	2,538	2.4	2.4	5
1	Canadian	Rural	2,233	1.2	1.2	2
1	Canyon	Rural	12,875	2.4	2.4	5
1	Channing	Rural	356	0.6	0.6	1
1	Childress	Rural	6,778	1.8	1.2	3
1	Clarendon	Rural	1,974	1.2	1.2	2
1	Claude	Rural	1,313	0.6	1.2	2
1	Crosbyton	Rural	1,874	2.4	3	5
1	Dalhart	Rural	7,237	1.8	1.2	3
1	Darrouzett	Rural	303	1.2	1.8	3
1	Denver City	Rural	3,985	1.8	2.4	4
1	Dickens	Rural	332	1.2	3	4
1	Dimmitt	Rural	4,375	2.4	2.4	5
1	Dodson	Rural	115	1.2	3	4
1	Dumas	Rural	13,747	2.4	1.2	4
1	Earth	Rural	1,109	2.4	3	5
1	Edmonson	Rural	123	3	1.2	4
1	Estelline	Rural	168	1.8	3	5
1	Farwell	Rural	1,364	2.4	1.8	4
1	Floydada	Rural	3,676	2.4	3	5
1	Follett	Rural	412	1.2	2.4	4
1	Friona	Rural	3,854	2.4	1.2	4
1	Fritch	Rural	2,235	2.4	0.6	3
1	Groom	Rural	587	1.2	1.2	2
1	Gruver	Rural	1,162	1.2	1.8	3
1	Hale Center	Rural	2,263	3	2.4	5
1	Happy	Rural	647	1.8	1.2	3
1	Hart	Rural	1,198	2.4	1.8	4

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
1	Hartley	Rural	441	0.6	0.6	1
1	Hedley	Rural	379	1.2	2.4	4
1	Hereford	Rural	14,597	2.4	2.4	5
1	Higgins	Rural	425	1.2	2.4	4
1	Howardwick	Rural	437	1.2	1.2	2
1	Idalou	Rural	2,157	2.4	0.6	3
1	Kress	Rural	826	1.8	1.8	4
1	Lake Tanglewood	Rural	825	2.4	0.6	3
1	Lakeview	Rural	152	1.8	3	5
1	Lefors	Rural	559	2.4	0.6	3
1	Levelland	Rural	12,866	3	2.4	5
1	Lipscomb	Rural	44	1.2	0.6	2
1	Littlefield	Rural	6,507	2.4	2.4	5
1	Lockney	Rural	2,056	2.4	1.8	4
1	Lorenzo	Rural	1,372	2.4	3	5
1	Matador	Rural	740	0.6	1.8	2
1	McLean	Rural	830	2.4	1.8	4
1	Meadow	Rural	658	2.4	1.2	4
1	Memphis	Rural	2,479	1.8	2.4	4
1	Miami	Rural	588	0.6	0.6	1
1	Mobeetie	Rural	107	1.2	0.6	2
1	Morse	Rural	172	1.2	1.2	2
1	Morton	Rural	2,249	1.2	3	4
1	Muleshoe	Rural	4,530	1.2	1.8	3
1	Nazareth	Rural	356	2.4	0.6	3
1	New Deal	Rural	708	2.4	1.8	4
1	New Home	Rural	320	1.8	0.6	2
1	O'Donnell	Rural	1,011	1.8	2.4	4
1	Olton	Rural	2,288	2.4	2.4	5
1	Opdyke West	Rural	188	3	2.4	5
1	Palisades	Rural	352	2.4	0.6	3
1	Pampa	Rural	17,887	2.4	1.2	4
1	Panhandle	Rural	2,589	1.2	0.6	2
1	Perryton	Rural	7,774	1.8	1.2	3
1	Petersburg	Rural	1,262	3	1.8	5
1	Plains	Rural	1,450	1.8	2.4	4
1	Plainview	Rural	22,336	3	2.4	5
1	Post	Rural	3,708	1.8	3	5
1	Quail	Rural	33	1.2	0.6	2
1	Quitaque	Rural	432	1.2	2.4	4
1	Ralls	Rural	2,252	2.4	3	5
1	Ransom Canyon	Rural	1,011	2.4	0.6	3
1	Reese Center	Urb./Exurb.	42	2.4	0.6	3
1	Roaring Springs	Rural	265	0.6	1.2	2
1	Ropesville	Rural	517	3	1.2	4
1	Samnorwood	Rural	39	1.2	0.6	2
1	Sanford	Rural	203	2.4	3	5
1	Seth Ward	Rural	1,926	3	3	6
1	Shallowater	Rural	2,086	2.4	1.2	4
1	Shamrock	Rural	2,029	1.2	2.4	4
1	Silverton	Rural	771	1.2	1.8	3

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
1	Skellytown	Rural	610	1.2	1.8	3
1	Slaton	Rural	6,109	2.4	2.4	5
1	Smyer	Rural	480	3	2.4	5
1	Spade	Rural	100	2.4	1.2	4
1	Spearman	Rural	3,021	1.2	1.8	3
1	Springlake	Rural	135	2.4	3	5
1	Spur	Rural	1,088	1.2	1.8	3
1	Stinnett	Rural	1,936	2.4	0.6	3
1	Stratford	Rural	1,991	1.2	0.6	2
1	Sudan	Rural	1,039	2.4	1.8	4
1	Sundown	Rural	1,505	3	1.8	5
1	Sunray	Rural	1,950	2.4	0.6	3
1	Tahoka	Rural	2,910	1.8	3	5
1	Texhoma	Rural	371	1.2	1.8	3
1	Texline	Rural	511	1.8	1.2	3
1	Timbercreek Canyon	Rural	406	2.4	0.6	3
1	Tulia	Rural	5,117	1.8	1.8	4
1	Turkey	Rural	494	1.8	3	5
1	Vega	Rural	936	0.6	1.8	2
1	Wellington	Rural	2,275	1.2	2.4	4
1	Wellman	Rural	203	2.4	3	5
1	Wheeler	Rural	1,378	1.2	0.6	2
1	White Deer	Rural	1,060	1.2	0.6	2
1	Whiteface	Rural	465	1.2	1.2	2
1	Wilson	Rural	532	1.8	3	5
1	Wolfforth	Rural	2,554	2.4	1.8	4
2	Albany	Rural	1,921	0.6	0.6	1
2	Anson	Rural	2,556	2.4	1.8	4
2	Archer City	Rural	1,848	1.2	1.2	2
2	Aspermont	Rural	1,021	0.6	2.4	3
2	Baird	Rural	1,623	1.2	1.2	2
2	Ballinger	Rural	4,243	1.8	1.8	4
2	Bangs	Rural	1,620	3	2.4	5
2	Bellevue	Rural	386	1.2	1.8	3
2	Benjamin	Rural	264	1.2	1.8	3
2	Blackwell	Rural	360	2.4	0.6	3
2	Blanket	Rural	402	3	2.4	5
2	Bowie	Rural	5,219	2.4	1.8	4
2	Breckenridge	Rural	5,868	1.8	1.8	4
2	Brownwood	Rural	18,813	3	2.4	5
2	Bryson	Rural	528	1.2	2.4	4
2	Buffalo Gap	Rural	463	1.8	0.6	2
2	Burkburnett	Rural	10,927	2.4	0.6	3
2	Byers	Rural	517	1.2	0.6	2
2	Carbon	Rural	224	2.4	0.6	3
2	Chillicothe	Rural	798	1.2	1.8	3
2	Cisco	Rural	3,851	2.4	2.4	5
2	Clyde	Rural	3,345	1.2	0.6	2
2	Coleman	Rural	5,127	1.8	3	5
2	Colorado City	Rural	4,281	1.8	2.4	4
2	Comanche	Rural	4,482	1.8	2.4	4

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
2	Cross Plains	Rural	1,068	1.2	3	4
2	Crowell	Rural	1,141	0.6	1.8	2
2	De Leon	Rural	2,433	1.8	3	5
2	Dean	Rural	341	1.2	0.6	2
2	Early	Rural	2,588	3	1.2	4
2	Eastland	Rural	3,769	2.4	2.4	5
2	Elbert	Rural	56	0.6	0.6	1
2	Electra	Rural	3,168	2.4	2.4	5
2	Girard	Rural	62	0.6	1.2	2
2	Goree	Rural	321	1.2	3	4
2	Gorman	Rural	1,236	2.4	1.2	4
2	Graham	Rural	8,716	2.4	1.8	4
2	Gustine	Rural	457	1.8	3	5
2	Hamlin	Rural	2,248	2.4	2.4	5
2	Haskell	Rural	3,106	1.8	3	5
2	Hawley	Rural	646	2.4	1.2	4
2	Henrietta	Rural	3,264	1.2	1.2	2
2	Hermleigh	Rural	393	2.4	3	5
2	Holliday	Rural	1,632	1.2	1.2	2
2	Impact	Urb./Exurb.	39	1.8	1.8	4
2	Iowa Park	Rural	6,431	2.4	0.6	3
2	Jacksboro	Rural	4,533	1.2	1.2	2
2	Jayton	Rural	513	0.6	0.6	1
2	Jolly	Rural	188	1.2	0.6	2
2	Knox City	Rural	1,219	1.2	2.4	4
2	Lake Brownwood	Rural	1,694	3	2.4	5
2	Lakeside City	Urb./Exurb.	984	1.2	0.6	2
2	Lawn	Rural	353	1.8	1.8	4
2	Loraine	Rural	656	1.8	3	5
2	Lueders	Rural	300	2.4	2.4	5
2	Megargel	Rural	248	1.2	0.6	2
2	Merkel	Rural	2,637	1.8	1.2	3
2	Miles	Rural	850	1.8	1.8	4
2	Moran	Rural	233	0.6	2.4	3
2	Munday	Rural	1,527	1.2	3	4
2	Newcastle	Rural	575	2.4	2.4	5
2	Nocona	Rural	3,198	2.4	1.2	4
2	Novice	Rural	142	1.8	0.6	2
2	O'Brien	Rural	132	1.8	3	5
2	Olney	Rural	3,396	2.4	2.4	5
2	Paducah	Rural	1,498	0.6	1.8	2
2	Petrolia	Rural	782	1.2	1.8	3
2	Pleasant Valley	Urb./Exurb.	408	2.4	1.2	4
2	Potosi	Urb./Exurb.	1,664	1.8	0.6	2
2	Putnam	Rural	88	1.2	3	4
2	Quanah	Rural	3,022	1.2	2.4	4
2	Ranger	Rural	2,584	2.4	1.8	4
2	Rising Star	Rural	835	2.4	3	5
2	Roby	Rural	673	0.6	1.2	2
2	Rochester	Rural	378	1.8	3	5
2	Roscoe	Rural	1,378	2.4	3	5

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
2	Rotan	Rural	1,611	0.6	2.4	3
2	Rule	Rural	698	1.8	2.4	4
2	Santa Anna	Rural	1,081	1.8	2.4	4
2	Scotland	Rural	438	1.2	0.6	2
2	Seymour	Rural	2,908	0.6	1.8	2
2	Snyder	Rural	10,783	2.4	1.2	4
2	St. Jo	Rural	977	2.4	1.2	4
2	Stamford	Rural	3,636	2.4	2.4	5
2	Sunset	Rural	339	2.4	2.4	5
2	Sweetwater	Rural	11,415	2.4	3	5
2	Throckmorton	Rural	905	0.6	1.2	2
2	Trent	Rural	318	1.8	0.6	2
2	Tuscola	Rural	714	1.8	0.6	2
2	Tye	Urb./Exurb.	1,158	1.8	3	5
2	Vernon	Rural	11,660	2.4	1.2	4
2	Weinert	Rural	177	1.8	1.2	3
2	Westbrook	Rural	203	1.8	2.4	4
2	Windthorst	Rural	440	1.2	0.6	2
2	Winters	Rural	2,880	1.8	3	5
2	Woodson	Rural	296	0.6	1.2	2
3	Addison	Urb./Exurb.	14,166	3	1.8	5
3	Aledo	Rural	1,726	1.8	1.2	3
3	Allen	Urb./Exurb.	43,554	3	0.6	4
3	Alma	Rural	302	2.4	2.4	5
3	Alvarado	Rural	3,288	2.4	2.4	5
3	Alvord	Rural	1,007	1.2	1.2	2
3	Angus	Rural	334	2.4	1.8	4
3	Anna	Rural	1,225	3	1.8	5
3	Annetta	Rural	1,108	1.8	0.6	2
3	Annetta North	Rural	467	1.8	0.6	2
3	Annetta South	Rural	555	1.8	0.6	2
3	Argyle	Urb./Exurb.	2,365	3	0.6	4
3	Aubrey	Rural	1,500	3	2.4	5
3	Aurora	Rural	853	1.2	3	4
3	Bailey	Rural	213	1.2	3	4
3	Bardwell	Rural	583	2.4	3	5
3	Barry	Rural	209	2.4	2.4	5
3	Bartonville	Rural	1,093	3	0.6	4
3	Bells	Rural	1,190	3	2.4	5
3	Blooming Grove	Rural	833	2.4	3	5
3	Blue Ridge	Rural	672	3	3	6
3	Bonham	Rural	9,990	1.2	2.4	4
3	Boyd	Rural	1,099	1.2	3	4
3	Briaroaks	Rural	493	2.4	1.2	4
3	Bridgeport	Rural	4,309	1.2	2.4	4
3	Burleson	Urb./Exurb.	20,976	2.4	1.2	4
3	Caddo Mills	Rural	1,149	2.4	2.4	5
3	Callisburg	Rural	365	1.8	2.4	4
3	Campbell	Rural	734	2.4	1.8	4
3	Carrollton	Urb./Exurb.	109,576	3	1.2	4
3	Celeste	Rural	817	2.4	2.4	5

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
3	Celina	Urb./Exurb.	1,861	3	2.4	5
3	Chico	Rural	947	1.2	2.4	4
3	Cleburne	Urb./Exurb.	26,005	2.4	2.4	5
3	Colleyville	Urb./Exurb.	19,636	1.8	0.6	2
3	Collinsville	Rural	1,235	3	1.8	5
3	Combine	Rural	1,788	1.8	1.2	3
3	Commerce	Rural	7,669	2.4	3	5
3	Cool	Rural	162	1.8	3	5
3	Copper Canyon	Urb./Exurb.	1,216	3	0.6	4
3	Corinth	Urb./Exurb.	11,325	3	0.6	4
3	Corral City	Rural	89	3	1.8	5
3	Corsicana	Rural	24,485	2.4	3	5
3	Cottonwood	Rural	181	1.8	1.8	4
3	Crandall	Rural	2,774	1.8	1.2	3
3	Cross Roads	Rural	603	3	1.2	4
3	Cross Timber	Rural	277	2.4	1.2	4
3	Dawson	Rural	852	2.4	3	5
3	Decatur	Rural	5,201	1.2	1.8	3
3	Denison	Urb./Exurb.	22,773	3	2.4	5
3	DeSoto	Urb./Exurb.	37,646	3	1.8	5
3	Dodd City	Rural	419	1.2	3	4
3	Dorchester	Urb./Exurb.	109	3	1.8	5
3	Double Oak	Urb./Exurb.	2,179	3	0.6	4
3	Dublin	Rural	3,754	1.8	3	5
3	Ector	Rural	600	1.2	1.2	2
3	Edgecliff Village	Urb./Exurb.	2,550	1.8	1.2	3
3	Emhouse	Rural	159	2.4	0.6	3
3	Ennis	Rural	16,045	2.4	2.4	5
3	Eureka	Rural	340	2.4	1.2	4
3	Fairview	Urb./Exurb.	2,644	3	0.6	4
3	Farmersville	Rural	3,118	3	1.8	5
3	Fate	Rural	497	0.6	1.2	2
3	Flower Mound	Urb./Exurb.	50,702	3	0.6	4
3	Forney	Rural	5,588	1.8	1.8	4
3	Frisco	Urb./Exurb.	33,714	3	0.6	4
3	Frost	Rural	648	2.4	3	5
3	Gainesville	Rural	15,538	1.8	3	5
3	Garrett	Rural	448	2.4	3	5
3	Glen Rose	Rural	2,122	0.6	2.4	3
3	Godley	Rural	879	2.4	1.8	4
3	Goodlow	Rural	264	2.4	3	5
3	Gordon	Rural	451	1.8	2.4	4
3	Graford	Rural	578	1.8	1.8	4
3	Granbury	Rural	5,718	0.6	2.4	3
3	Grandview	Rural	1,358	2.4	2.4	5
3	Grays Prairie	Rural	296	1.8	0.6	2
3	Greenville	Urb./Exurb.	23,960	2.4	3	5
3	Gunter	Rural	1,230	3	1.2	4
3	Hackberry	Urb./Exurb.	544	3	3	6
3	Hawk Cove	Rural	457	2.4	1.8	4
3	Heath	Urb./Exurb.	4,149	0.6	0.6	1

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
3	Hebron	Urb./Exurb.	874	3	0.6	4
3	Hickory Creek	Urb./Exurb.	2,078	3	0.6	4
3	Highland Park	Urb./Exurb.	8,842	3	0.6	4
3	Highland Village	Urb./Exurb.	12,173	3	0.6	4
3	Honey Grove	Rural	1,746	1.2	2.4	4
3	Howe	Urb./Exurb.	2,478	3	2.4	5
3	Hudson Oaks	Rural	1,637	1.8	1.2	3
3	Italy	Rural	1,993	2.4	1.8	4
3	Josephine	Rural	594	3	1.8	5
3	Joshua	Urb./Exurb.	4,528	2.4	1.2	4
3	Justin	Rural	1,891	3	1.2	4
3	Kaufman	Rural	6,490	1.8	2.4	4
3	Keene	Rural	5,003	2.4	2.4	5
3	Kemp	Rural	1,133	1.8	3	5
3	Kerens	Rural	1,681	2.4	3	5
3	Knollwood	Urb./Exurb.	375	3	1.8	5
3	Krugerville	Rural	903	3	1.2	4
3	Krum	Rural	1,979	3	0.6	4
3	Ladonia	Rural	667	1.2	3	4
3	Lake Bridgeport	Rural	372	1.2	1.8	3
3	Lake Dallas	Rural	6,166	3	1.2	4
3	Lake Kiowa	Rural	1,883	1.8	0.6	2
3	Lakewood Village	Rural	342	3	1.2	4
3	Lavon	Rural	387	3	0.6	4
3	Leonard	Rural	1,846	1.2	2.4	4
3	Lewisville	Urb./Exurb.	77,737	3	1.8	5
3	Lincoln Park	Rural	517	3	3	6
3	Lindsay (Cooke)	Rural	788	1.8	1.2	3
3	Lipan	Rural	425	0.6	1.2	2
3	Little Elm	Urb./Exurb.	3,646	3	2.4	5
3	Lone Oak	Rural	521	2.4	2.4	5
3	Lowry Crossing	Urb./Exurb.	1,229	3	0.6	4
3	Lucas	Urb./Exurb.	2,890	3	0.6	4
3	Mabank	Rural	2,151	1.8	1.8	4
3	Marshall Creek	Rural	431	3	3	6
3	Maypearl	Rural	746	2.4	1.8	4
3	McKinney	Urb./Exurb.	54,369	3	1.8	5
3	McLendon-Chisholm	Rural	914	0.6	0.6	1
3	Melissa	Urb./Exurb.	1,350	3	1.2	4
3	Mesquite	Urb./Exurb.	124,523	3	1.8	5
3	Midlothian	Urb./Exurb.	7,480	2.4	1.8	4
3	Mildred	Rural	405	2.4	3	5
3	Milford	Rural	685	2.4	3	5
3	Millsap	Rural	353	1.8	1.2	3
3	Mineral Wells	Rural	16,946	1.8	3	5
3	Mingus	Rural	246	1.8	1.8	4
3	Mobile City	Rural	196	0.6	1.8	2
3	Muenster	Rural	1,556	1.8	1.2	3
3	Murphy	Urb./Exurb.	3,099	3	0.6	4
3	Mustang	Rural	47	2.4	1.2	4
3	Navarro	Rural	191	2.4	0.6	3

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
3	Nevada	Rural	563	3	0.6	4
3	New Fairview	Rural	877	1.2	2.4	4
3	New Hope	Rural	662	3	0.6	4
3	Neylandville	Rural	56	2.4	3	5
3	North Richland Hills	Urb./Exurb.	55,635	1.8	1.2	3
3	Northlake	Urb./Exurb.	921	3	2.4	5
3	Oak Grove	Rural	710	1.8	1.2	3
3	Oak Leaf	Rural	1,209	2.4	0.6	3
3	Oak Point	Rural	1,747	3	0.6	4
3	Oak Ridge (Cooke)	Rural	224	1.8	3	5
3	Oak Ridge (Kaufman)	Rural	400	1.8	1.2	3
3	Oak Trail Shores	Rural	2,475	0.6	3	4
3	Oak Valley	Rural	401	2.4	1.8	4
3	Ovilla	Urb./Exurb.	3,405	2.4	0.6	3
3	Palmer	Rural	1,774	2.4	1.8	4
3	Paradise	Rural	459	1.2	2.4	4
3	Parker	Urb./Exurb.	1,379	3	0.6	4
3	Pecan Acres	Rural	2,289	1.2	2.4	4
3	Pecan Hill	Rural	672	2.4	0.6	3
3	Pecan Plantation	Rural	3,544	0.6	0.6	1
3	Pelican Bay	Rural	1,505	1.8	3	5
3	Pilot Point	Rural	3,538	3	1.8	5
3	Ponder	Rural	507	3	0.6	4
3	Post Oak Bend City	Rural	404	1.8	1.8	4
3	Pottsboro	Rural	1,579	3	1.2	4
3	Powell	Rural	105	2.4	2.4	5
3	Princeton	Urb./Exurb.	3,477	3	1.8	5
3	Prosper	Urb./Exurb.	2,097	3	1.2	4
3	Quinlan	Rural	1,370	2.4	2.4	5
3	Ravenna	Rural	215	1.2	3	4
3	Red Oak	Urb./Exurb.	4,301	2.4	1.8	4
3	Reno (Parker)	Rural	2,441	1.8	2.4	4
3	Retreat	Rural	339	2.4	1.8	4
3	Rhome	Rural	551	1.2	3	4
3	Rice	Rural	798	2.4	2.4	5
3	Richardson	Urb./Exurb.	91,802	3	1.2	4
3	Richland	Rural	291	2.4	3	5
3	Rio Vista	Rural	656	2.4	2.4	5
3	Roanoke	Urb./Exurb.	2,810	3	1.2	4
3	Rockwall	Urb./Exurb.	17,976	0.6	1.2	2
3	Rosser	Rural	379	1.8	2.4	4
3	Royse City	Rural	2,957	0.6	2.4	3
3	Runaway Bay	Rural	1,104	1.2	1.2	2
3	Sachse	Urb./Exurb.	9,751	3	0.6	4
3	Sadler	Rural	404	3	3	6
3	Sanctuary	Rural	256	1.8	2.4	4
3	Sanger	Rural	4,534	3	1.8	5
3	Savoy	Rural	850	1.2	1.8	3
3	Shady Shores	Urb./Exurb.	1,461	3	1.2	4
3	Sherman	Urb./Exurb.	35,082	3	2.4	5
3	Southlake	Urb./Exurb.	21,519	1.8	0.6	2

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State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
3	Southmayd	Rural	992	3	1.2	4
3	Springtown	Rural	2,062	1.8	3	5
3	St. Paul (Collin)	Rural	630	3	1.2	4
3	Stephenville	Rural	14,921	1.8	3	5
3	Strawn	Rural	739	1.8	2.4	4
3	Sunnyvale	Urb./Exurb.	2,693	3	0.6	4
3	Talty	Rural	1,028	1.8	0.6	2
3	Terrell	Rural	13,606	1.8	3	5
3	The Colony	Urb./Exurb.	26,531	3	0.6	4
3	Tioga	Rural	754	3	1.2	4
3	Tolar	Rural	504	0.6	1.2	2
3	Tom Bean	Rural	941	3	1.8	5
3	Trenton	Rural	662	1.2	1.8	3
3	Valley View	Rural	737	1.8	1.8	4
3	Van Alstyne	Rural	2,502	3	1.2	4
3	Venus	Rural	910	2.4	1.8	4
3	Waxahachie	Urb./Exurb.	21,426	2.4	2.4	5
3	Weatherford	Rural	19,000	1.8	1.8	4
3	West Tawakoni	Rural	1,462	2.4	3	5
3	Westlake	Urb./Exurb.	207	1.8	1.2	3
3	Westminster	Rural	390	3	1.8	5
3	Weston	Urb./Exurb.	635	3	1.2	4
3	Westover Hills	Urb./Exurb.	658	1.8	0.6	2
3	Whitesboro	Rural	3,760	3	2.4	5
3	Whitewright	Rural	1,740	3	2.4	5
3	Willow Park	Rural	2,849	1.8	0.6	2
3	Windom	Rural	245	1.2	1.8	3
3	Wolfe City	Rural	1,566	2.4	3	5
3	Wylie	Rural	15,132	3	1.2	4
4	Alba	Rural	430	1.2	2.4	4
4	Alto	Rural	1,190	3	3	6
4	Annona	Rural	282	1.2	2.4	4
4	Arp	Rural	901	1.2	0.6	2
4	Athens	Rural	11,297	3	1.8	5
4	Atlanta	Rural	5,745	1.8	2.4	4
4	Avery	Rural	462	1.2	2.4	4
4	Avinger	Rural	464	1.8	3	5
4	Beckville	Rural	752	1.2	2.4	4
4	Berryville	Rural	891	3	2.4	5
4	Big Sandy	Rural	1,288	1.2	1.8	3
4	Bloomburg	Rural	375	1.8	1.8	4
4	Blossom	Rural	1,439	3	1.2	4
4	Bogata	Rural	1,396	1.2	1.8	3
4	Brownsboro	Rural	796	3	3	6
4	Bullard	Rural	1,150	1.2	0.6	2
4	Caney City	Rural	236	3	3	6
4	Canton	Rural	3,292	1.8	0.6	2
4	Carthage	Rural	6,664	1.2	1.2	2
4	Chandler	Rural	2,099	3	0.6	4
4	Clarksville	Rural	3,883	1.2	2.4	4
4	Clarksville City	Rural	806	2.4	1.2	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
4	Coffee City	Rural	193	3	1.8	5
4	Como	Rural	621	1.8	3	5
4	Cooper	Rural	2,150	0.6	3	4
4	Cumby	Rural	616	1.8	1.2	3
4	Cuney	Rural	145	3	3	6
4	Daingerfield	Rural	2,517	1.2	2.4	4
4	De Kalb	Rural	1,769	3	3	6
4	Deport	Rural	718	3	1.2	4
4	Detroit	Rural	776	1.2	3	4
4	Domino	Rural	52	1.8	1.2	3
4	Douglassville	Rural	175	1.8	0.6	2
4	East Mountain	Rural	580	1.2	1.2	2
4	East Tawakoni	Rural	775	0.6	0.6	1
4	Easton	Rural	524	2.4	3	5
4	Edgewood	Rural	1,348	1.8	1.8	4
4	Edom	Rural	322	1.8	1.8	4
4	Elkhart	Rural	1,215	2.4	2.4	5
4	Emory	Rural	1,021	0.6	1.8	2
4	Enchanted Oaks	Rural	357	3	1.2	4
4	Eustace	Rural	798	3	0.6	4
4	Frankston	Rural	1,209	2.4	1.2	4
4	Fruitvale	Rural	418	1.8	1.2	3
4	Gallatin	Rural	378	3	2.4	5
4	Gary City	Rural	303	1.2	1.8	3
4	Gilmer	Rural	4,799	1.2	1.8	3
4	Gladewater	Rural	6,078	2.4	2.4	5
4	Grand Saline	Rural	3,028	1.8	1.8	4
4	Gun Barrel City	Rural	5,145	3	1.2	4
4	Hallsville	Rural	2,772	3	0.6	4
4	Hawkins	Rural	1,331	1.2	1.8	3
4	Henderson	Rural	11,273	1.8	1.2	3
4	Hooks	Rural	2,973	3	1.2	4
4	Hughes Springs	Rural	1,856	1.8	2.4	4
4	Jacksonville	Rural	13,868	3	2.4	5
4	Jefferson	Rural	2,024	0.6	3	4
4	Kilgore	Rural	11,301	2.4	1.2	4
4	Lakeport	Rural	861	2.4	1.2	4
4	Leary	Rural	555	3	1.2	4
4	Liberty City	Rural	1,935	2.4	0.6	3
4	Lindale	Rural	2,954	1.2	1.2	2
4	Linden	Rural	2,256	1.8	1.2	3
4	Log Cabin	Rural	733	3	3	6
4	Lone Star	Rural	1,631	1.2	3	4
4	Malakoff	Rural	2,257	3	3	6
4	Marietta	Rural	112	1.8	0.6	2
4	Marshall	Urb./Exurb.	23,935	3	2.4	5
4	Maud	Rural	1,028	3	1.2	4
4	Miller's Cove	Rural	120	2.4	3	5
4	Mineola	Rural	4,550	1.2	1.2	2
4	Moore Station	Rural	184	3	3	6
4	Mount Enterprise	Rural	525	1.8	1.8	4

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State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
4	Mount Pleasant	Rural	13,935	2.4	2.4	5
4	Mount Vernon	Rural	2,286	0.6	1.8	2
4	Murchison	Rural	592	3	1.8	5
4	Naples	Rural	1,410	1.2	3	4
4	Nash	Urb./Exurb.	2,169	3	1.8	5
4	Nesbitt	Rural	302	3	1.2	4
4	New Boston	Rural	4,808	3	1.8	5
4	New Chapel Hill	Rural	553	1.2	0.6	2
4	New London	Rural	987	1.8	1.2	3
4	New Summerfield	Rural	998	3	3	6
4	Noonday	Rural	515	1.2	0.6	2
4	Omaha	Rural	999	1.2	3	4
4	Ore City	Rural	1,106	1.2	3	4
4	Overton	Rural	2,350	1.8	1.8	4
4	Palestine	Rural	17,598	2.4	2.4	5
4	Paris	Rural	25,898	3	2.4	5
4	Payne Springs	Rural	683	3	0.6	4
4	Pecan Gap	Rural	214	0.6	3	4
4	Pittsburg	Rural	4,347	0.6	3	4
4	Point	Rural	792	0.6	3	4
4	Poynor	Rural	314	3	1.2	4
4	Queen City	Rural	1,613	1.8	2.4	4
4	Quitman	Rural	2,030	1.2	1.2	2
4	Red Lick	Rural	853	3	0.6	4
4	Redwater	Rural	872	3	2.4	5
4	Reklaw	Rural	327	3	1.8	5
4	Reno (Lamar)	Rural	2,767	3	0.6	4
4	Rocky Mound	Rural	93	0.6	0.6	1
4	Roxton	Rural	694	3	3	6
4	Rusk	Rural	5,085	3	1.2	4
4	Scottsville	Rural	263	3	3	6
4	Seven Points	Rural	1,145	3	3	6
4	Star Harbor	Rural	416	3	0.6	4
4	Sulphur Springs	Rural	14,551	1.8	1.8	4
4	Sun Valley	Rural	51	3	1.8	5
4	Talco	Rural	570	2.4	3	5
4	Tatum	Rural	1,175	1.8	3	5
4	Texarkana	Urb./Exurb.	34,782	3	2.4	5
4	Tira	Rural	248	1.8	0.6	2
4	Toco	Rural	89	3	3	6
4	Tool	Rural	2,275	3	1.2	4
4	Trinidad	Rural	1,091	3	1.2	4
4	Troup	Rural	1,949	1.2	1.8	3
4	Uncertain	Rural	150	3	1.8	5
4	Union Grove	Rural	346	1.2	3	4
4	Van	Rural	2,362	1.8	1.2	3
4	Wake Village	Urb./Exurb.	5,129	3	1.2	4
4	Warren City	Rural	343	2.4	1.8	4
4	Waskom	Rural	2,068	3	2.4	5
4	Wells	Rural	769	3	3	6
4	White Oak	Urb./Exurb.	5,624	2.4	1.2	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
4	Whitehouse	Rural	5,346	1.2	0.6	2
4	Wills Point	Rural	3,496	1.8	1.8	4
4	Winfield	Rural	499	2.4	2.4	5
4	Winnsboro	Rural	3,584	1.2	1.2	2
4	Winona	Rural	582	1.2	0.6	2
4	Yantis	Rural	321	1.2	2.4	4
5	Appleby	Rural	444	3	0.6	4
5	Bevil Oaks	Rural	1,346	3	0.6	4
5	Bridge City	Rural	8,651	3	1.2	4
5	Broaddus	Rural	189	0.6	2.4	3
5	Browndell	Rural	219	1.8	2.4	4
5	Buna	Rural	2,269	1.8	1.2	3
5	Burke	Rural	315	3	1.8	5
5	Center	Rural	5,678	1.2	2.4	4
5	Central Gardens	Rural	4,106	3	0.6	4
5	Chester	Rural	265	0.6	1.2	2
5	China	Rural	1,112	3	1.2	4
5	Chireno	Rural	405	3	1.8	5
5	Coldspring	Rural	691	0.6	1.8	2
5	Colmesneil	Rural	638	0.6	1.8	2
5	Corrigan	Rural	1,721	1.2	3	4
5	Crockett	Rural	7,141	1.2	3	4
5	Cushing	Rural	637	3	1.2	4
5	Deweyville	Rural	1,190	0.6	1.2	2
5	Diboll	Rural	5,470	3	1.8	5
5	Evadale	Rural	1,430	1.8	1.2	3
5	Garrison	Rural	844	3	1.8	5
5	Goodrich	Rural	243	1.2	3	4
5	Grapeland	Rural	1,451	1.2	2.4	4
5	Groves	Urb./Exurb.	15,733	3	0.6	4
5	Groveton	Rural	1,107	0.6	2.4	3
5	Hemphill	Rural	1,106	0.6	1.8	2
5	Hudson	Rural	3,792	3	1.2	4
5	Huntington	Rural	2,068	3	2.4	5
5	Huxley	Rural	298	1.2	0.6	2
5	Jasper	Rural	8,247	1.8	3	5
5	Joaquin	Rural	925	1.2	2.4	4
5	Kennard	Rural	317	1.2	2.4	4
5	Kirbyville	Rural	2,085	1.8	2.4	4
5	Kountze	Rural	2,115	1.2	2.4	4
5	Latexo	Rural	272	1.2	2.4	4
5	Livingston	Rural	5,433	1.2	2.4	4
5	Lovelady	Rural	608	1.2	1.2	2
5	Lufkin	Rural	32,709	3	1.8	5
5	Lumberton	Rural	8,731	1.2	0.6	2
5	Mauriceville	Rural	2,743	3	1.2	4
5	Milam	Rural	1,329	0.6	0.6	1
5	Nacogdoches	Rural	29,914	3	3	6
5	Nederland	Urb./Exurb.	17,422	3	0.6	4
5	Newton	Rural	2,459	0.6	1.8	2
5	Nome	Rural	515	3	2.4	5

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State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
5	Oakhurst	Rural	230	0.6	1.8	2
5	Onalaska	Rural	1,174	1.2	1.8	3
5	Pine Forest	Rural	632	3	0.6	4
5	Pinehurst (Orange)	Rural	2,274	3	1.2	4
5	Pineland	Rural	980	0.6	1.8	2
5	Pinewood Estates	Rural	1,633	1.2	0.6	2
5	Point Blank	Rural	559	0.6	1.8	2
5	Port Neches	Urb./Exurb.	13,601	3	0.6	4
5	Rose City	Rural	519	3	1.8	5
5	Rose Hill Acres	Urb./Exurb.	480	1.2	0.6	2
5	San Augustine	Rural	2,475	0.6	1.8	2
5	Seven Oaks	Rural	131	1.2	0.6	2
5	Shepherd	Rural	2,029	0.6	1.8	2
5	Silsbee	Rural	6,393	1.2	1.8	3
5	Sour Lake	Rural	1,667	1.2	1.2	2
5	South Toledo Bend	Rural	576	0.6	0.6	1
5	Tenaha	Rural	1,046	1.2	3	4
5	Timpson	Rural	1,094	1.2	3	4
5	Trinity	Rural	2,721	0.6	2.4	3
5	Vidor	Rural	11,440	3	1.2	4
5	West Livingston	Rural	6,612	1.2	1.8	3
5	West Orange	Rural	4,111	3	1.2	4
5	Woodville	Rural	2,415	0.6	2.4	3
5	Zavalla	Rural	647	3	2.4	5
6	Ames	Rural	1,079	1.2	3	4
6	Angleton	Rural	18,130	1.2	1.8	3
6	Bacliff	Urb./Exurb.	6,962	3	3	6
6	Bay City	Rural	18,667	1.2	2.4	4
6	Bayou Vista	Rural	1,644	3	1.2	4
6	Baytown	Urb./Exurb.	66,430	3	2.4	5
6	Beach City	Urb./Exurb.	1,645	0.6	1.2	2
6	Bellville	Rural	3,794	0.6	1.2	2
6	Blessing	Rural	861	1.2	3	4
6	Boling-Iago	Rural	1,271	1.2	1.8	3
6	Bolivar Peninsula	Rural	3,853	3	1.8	5
6	Brookshire	Rural	3,450	0.6	3	4
6	Bunker Hill Village	Urb./Exurb.	3,654	3	0.6	4
6	Clear Lake Shores	Urb./Exurb.	1,205	3	1.2	4
6	Cleveland	Rural	7,605	1.2	3	4
6	Columbus	Rural	3,916	0.6	2.4	3
6	Conroe	Urb./Exurb.	36,811	2.4	3	5
6	Cove	Rural	323	0.6	1.8	2
6	Cut and Shoot	Urb./Exurb.	1,158	2.4	1.8	4
6	Daisetta	Rural	1,034	1.2	2.4	4
6	Dayton	Rural	5,709	1.2	3	4
6	Dayton Lakes	Rural	101	1.2	2.4	4
6	Devers	Rural	416	1.2	3	4
6	Dickinson	Urb./Exurb.	17,093	3	1.8	5
6	Eagle Lake	Rural	3,664	0.6	2.4	3
6	East Bernard	Rural	1,729	1.2	1.8	3
6	El Campo	Rural	10,945	1.2	2.4	4

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State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
6	El Lago	Urb./Exurb.	3,075	3	0.6	4
6	Friendswood	Urb./Exurb.	29,037	3	0.6	4
6	Hardin	Rural	755	1.2	1.8	3
6	Hedwig Village	Urb./Exurb.	2,334	3	1.2	4
6	Hempstead	Rural	4,691	0.6	3	4
6	Hillcrest	Urb./Exurb.	722	1.2	1.2	2
6	Hilshire Village	Urb./Exurb.	720	3	0.6	4
6	Hitchcock	Urb./Exurb.	6,386	3	3	6
6	Holiday Lakes	Rural	1,095	1.2	2.4	4
6	Hungerford	Rural	645	1.2	1.8	3
6	Hunters Creek Village	Urb./Exurb.	4,374	3	0.6	4
6	Huntsville	Rural	35,078	1.2	3	4
6	Industry	Rural	304	0.6	3	4
6	Jamaica Beach	Urb./Exurb.	1,075	3	1.8	5
6	Jersey Village	Urb./Exurb.	6,880	3	1.2	4
6	Katy	Urb./Exurb.	11,775	3	1.8	5
6	Kemah	Urb./Exurb.	2,330	3	1.8	5
6	Kenefick	Rural	667	1.2	1.8	3
6	La Marque	Urb./Exurb.	13,682	3	2.4	5
6	League City	Urb./Exurb.	45,444	3	1.2	4
6	Liberty	Rural	8,033	1.2	2.4	4
6	Liverpool	Rural	404	1.2	1.2	2
6	Louise	Rural	977	1.2	1.8	3
6	Magnolia	Rural	1,111	2.4	1.8	4
6	Markham	Rural	1,138	1.2	1.2	2
6	Missouri City	Urb./Exurb.	52,913	1.8	0.6	2
6	Mont Belvieu	Rural	2,324	0.6	1.2	2
6	Montgomery	Rural	489	2.4	2.4	5
6	Nassau Bay	Urb./Exurb.	4,170	3	1.2	4
6	New Waverly	Rural	950	1.2	3	4
6	North Cleveland	Rural	263	1.2	2.4	4
6	Oak Ridge North	Urb./Exurb.	2,991	2.4	0.6	3
6	Old River-Winfree	Rural	1,364	0.6	1.8	2
6	Palacios	Rural	5,153	1.2	3	4
6	Panorama Village	Urb./Exurb.	1,965	2.4	0.6	3
6	Pattison	Rural	447	0.6	1.8	2
6	Patton Village	Rural	1,391	2.4	3	5
6	Pearland	Urb./Exurb.	37,640	1.2	1.2	2
6	Pine Island	Rural	849	0.6	1.2	2
6	Piney Point Village	Urb./Exurb.	3,380	3	0.6	4
6	Plum Grove	Rural	930	1.2	1.8	3
6	Prairie View	Rural	4,410	0.6	2.4	3
6	Quintana	Rural	38	1.2	3	4
6	Riverside	Rural	425	1.2	3	4
6	Roman Forest	Rural	1,279	2.4	0.6	3
6	San Felipe	Rural	868	0.6	1.8	2
6	San Leon	Urb./Exurb.	4,365	3	2.4	5
6	Santa Fe	Urb./Exurb.	9,548	3	1.2	4
6	Sealy	Rural	5,248	0.6	2.4	3
6	Shenandoah	Urb./Exurb.	1,503	2.4	0.6	3
6	Southside Place	Urb./Exurb.	1,546	3	1.8	5

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6	Splendora	Rural	1,275	2.4	2.4	5
6	Spring	Urb./Exurb.	36,385	3	1.2	4
6	Spring Valley	Urb./Exurb.	3,611	3	0.6	4
6	Stafford	Urb./Exurb.	15,681	1.8	1.8	4
6	Stagecoach	Rural	455	2.4	0.6	3
6	Stowell	Rural	1,572	0.6	2.4	3
6	Sugar Land	Urb./Exurb.	63,328	1.8	0.6	2
6	Taylor Lake Village	Urb./Exurb.	3,694	3	0.6	4
6	Texas City	Urb./Exurb.	41,521	3	2.4	5
6	The Woodlands	Urb./Exurb.	55,649	2.4	1.2	4
6	Tiki Island	Urb./Exurb.	1,016	3	0.6	4
6	Van Vleck	Rural	1,411	1.2	1.2	2
6	Wallis	Rural	1,172	0.6	1.8	2
6	Weimar	Rural	1,981	0.6	1.8	2
6	Wharton	Rural	9,237	1.2	3	4
6	Willis	Rural	3,985	2.4	3	5
6	Winnie	Rural	2,914	0.6	1.8	2
6	Woodbranch	Rural	1,305	2.4	1.2	4
6	Woodloch	Rural	247	2.4	0.6	3
7	Anderson Mill	Urb./Exurb.	8,953	3	1.8	5
7	Bartlett	Rural	1,675	3	3	6
7	Barton Creek	Urb./Exurb.	1,589	2.4	1.2	4
7	Bastrop	Rural	5,340	1.8	2.4	4
7	Bear Creek	Rural	360	3	0.6	4
7	Bee Cave	Rural	656	2.4	0.6	3
7	Bertram	Rural	1,122	1.8	1.8	4
7	Blanco	Rural	1,505	0.6	3	4
7	Briarcliff	Rural	895	2.4	1.2	4
7	Brushy Creek	Urb./Exurb.	15,371	3	0.6	4
7	Buchanan Dam	Rural	1,688	1.2	1.8	3
7	Buda	Urb./Exurb.	2,404	3	1.2	4
7	Burnet	Rural	4,735	1.8	2.4	4
7	Camp Swift	Rural	4,731	1.8	2.4	4
7	Carmine	Rural	228	1.2	3	4
7	Cedar Park	Urb./Exurb.	26,049	3	1.2	4
7	Circle D-KC Estates	Rural	2,010	1.8	1.2	3
7	Cottonwood Shores	Rural	877	1.8	2.4	4
7	Creedmoor	Rural	211	2.4	1.2	4
7	Dripping Springs	Rural	1,548	3	2.4	5
7	Elgin	Rural	5,700	1.8	3	5
7	Fayetteville	Rural	261	1.2	2.4	4
7	Flatonia	Rural	1,377	1.2	3	4
7	Florence	Rural	1,054	3	3	6
7	Garfield	Rural	1,660	2.4	2.4	5
7	Georgetown	Urb./Exurb.	28,339	3	1.8	5
7	Giddings	Rural	5,105	0.6	2.4	3
7	Granger	Rural	1,299	3	2.4	5
7	Granite Shoals	Rural	2,040	1.8	3	5
7	Hays	Rural	233	3	1.2	4
7	Highland Haven	Rural	450	1.8	0.6	2
7	Horseshoe Bay	Rural	3,337	1.2	1.2	2

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7	Hudson Bend	Urb./Exurb.	2,369	2.4	1.2	4
7	Hutto	Rural	1,250	3	1.8	5
7	Johnson City	Rural	1,191	0.6	2.4	3
7	Jollyville	Urb./Exurb.	15,813	3	1.2	4
7	Jonestown	Rural	1,681	2.4	1.8	4
7	Kingsland	Rural	4,584	1.2	2.4	4
7	Kyle	Rural	5,314	3	1.8	5
7	La Grange	Rural	4,478	1.2	2.4	4
7	Lago Vista	Rural	4,507	2.4	1.8	4
7	Lakeway	Rural	8,002	2.4	1.2	4
7	Leander	Urb./Exurb.	7,596	3	1.8	5
7	Lexington	Rural	1,178	0.6	2.4	3
7	Liberty Hill	Rural	1,409	3	1.8	5
7	Llano	Rural	3,325	1.2	1.8	3
7	Lockhart	Rural	11,615	1.8	2.4	4
7	Lost Creek	Urb./Exurb.	4,729	2.4	0.6	3
7	Luling	Rural	5,080	1.8	3	5
7	Manor	Urb./Exurb.	1,204	2.4	2.4	5
7	Marble Falls	Rural	4,959	1.8	3	5
7	Martindale	Rural	953	1.8	2.4	4
7	Meadowlakes	Rural	1,293	1.8	0.6	2
7	Mountain City	Rural	671	3	1.2	4
7	Mustang Ridge	Rural	785	1.8	1.8	4
7	Niederwald	Rural	584	3	1.2	4
7	Onion Creek	Urb./Exurb.	2,116	2.4	0.6	3
7	Pflugerville	Urb./Exurb.	16,335	2.4	1.2	4
7	Rollingwood	Urb./Exurb.	1,403	2.4	0.6	3
7	Round Mountain	Rural	111	0.6	0.6	1
7	Round Rock	Urb./Exurb.	61,136	3	1.2	4
7	Round Top	Rural	77	1.2	1.8	3
7	San Leanna	Urb./Exurb.	384	2.4	1.8	4
7	San Marcos	Urb./Exurb.	34,733	3	3	6
7	Schulenburg	Rural	2,699	1.2	2.4	4
7	Serenada	Urb./Exurb.	1,847	3	0.6	4
7	Shady Hollow	Urb./Exurb.	5,140	2.4	0.6	3
7	Smithville	Rural	3,901	1.8	3	5
7	Sunrise Beach Village	Rural	704	1.2	1.2	2
7	Sunset Valley	Urb./Exurb.	365	2.4	1.8	4
7	Taylor	Rural	13,575	3	2.4	5
7	The Hills	Rural	1,492	2.4	0.6	3
7	Thrall	Rural	710	3	3	6
7	Uhland	Rural	386	3	3	6
7	Weir	Rural	591	3	1.8	5
7	Wells Branch	Urb./Exurb.	11,271	2.4	1.8	4
7	West Lake Hills	Urb./Exurb.	3,116	2.4	0.6	3
7	Wimberley	Rural	3,797	3	1.8	5
7	Windemere	Urb./Exurb.	6,868	2.4	1.2	4
7	Woodcreek	Rural	1,274	3	1.2	4
7	Wyldwood	Rural	2,310	1.8	1.2	3
8	Abbott	Rural	300	1.8	0.6	2
8	Anderson	Rural	257	1.2	1.8	3

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
8	Aquilla	Rural	136	1.8	0.6	2
8	Bellmead	Urb./Exurb.	9,214	2.4	2.4	5
8	Belton	Urb./Exurb.	14,623	3	1.8	5
8	Beverly Hills	Urb./Exurb.	2,113	2.4	1.8	4
8	Blum	Rural	399	1.8	1.8	4
8	Bremond	Rural	876	1.8	1.8	4
8	Brenham	Rural	13,507	1.8	1.8	4
8	Bruceville-Eddy	Rural	1,490	2.4	1.2	4
8	Buckholts	Rural	387	1.8	1.8	4
8	Buffalo	Rural	1,804	1.2	3	4
8	Burton	Rural	359	1.8	1.2	3
8	Bynum	Rural	225	1.8	3	5
8	Caldwell	Rural	3,449	1.2	1.8	3
8	Calvert	Rural	1,426	1.8	3	5
8	Cameron	Rural	5,634	1.8	2.4	4
8	Carl's Corner	Rural	134	1.8	1.2	3
8	Centerville	Rural	903	1.2	2.4	4
8	Clifton	Rural	3,542	1.2	1.2	2
8	Coolidge	Rural	848	1.8	2.4	4
8	Copperas Cove	Urb./Exurb.	29,592	2.4	1.2	4
8	Covington	Rural	282	1.8	1.2	3
8	Cranfills Gap	Rural	335	1.2	1.8	3
8	Crawford	Rural	705	2.4	0.6	3
8	Evant	Rural	393	2.4	3	5
8	Fairfield	Rural	3,094	1.2	2.4	4
8	Fort Hood	Urb./Exurb.	33,711	3	0.6	4
8	Franklin	Rural	1,470	1.8	1.8	4
8	Gatesville	Rural	15,591	2.4	0.6	3
8	Gholson	Rural	922	2.4	1.2	4
8	Goldthwaite	Rural	1,802	0.6	1.8	2
8	Golinda	Rural	423	1.8	1.2	3
8	Groesbeck	Rural	4,291	1.8	1.8	4
8	Hallsburg	Rural	518	2.4	0.6	3
8	Hamilton	Rural	2,977	0.6	1.8	2
8	Harker Heights	Urb./Exurb.	17,308	3	1.2	4
8	Hearne	Rural	4,690	1.8	3	5
8	Hewitt	Urb./Exurb.	11,085	2.4	0.6	3
8	Hico	Rural	1,341	0.6	2.4	3
8	Hillsboro	Rural	8,232	1.8	2.4	4
8	Holland	Rural	1,102	3	3	6
8	Hubbard	Rural	1,586	1.8	2.4	4
8	Iredell	Rural	360	1.2	2.4	4
8	Itasca	Rural	1,503	1.8	1.8	4
8	Jewett	Rural	861	1.2	3	4
8	Kempner	Rural	1,004	1.2	1.2	2
8	Kirvin	Rural	122	1.2	0.6	2
8	Kosse	Rural	497	1.8	3	5
8	Lacy-Lakeview	Urb./Exurb.	5,764	2.4	1.8	4
8	Lampasas	Rural	6,786	1.2	2.4	4
8	Leona	Rural	181	1.2	0.6	2
8	Leroy	Rural	335	2.4	0.6	3

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State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
8	Little River-Academy	Rural	1,645	3	0.6	4
8	Lometa	Rural	782	1.2	2.4	4
8	Lorena	Rural	1,433	2.4	0.6	3
8	Lott	Rural	724	1.8	3	5
8	Madisonville	Rural	4,159	1.2	2.4	4
8	Malone	Rural	278	1.8	3	5
8	Marlin	Rural	6,628	1.8	3	5
8	Marquez	Rural	220	1.2	3	4
8	Mart	Rural	2,273	2.4	2.4	5
8	McGregor	Urb./Exurb.	4,727	2.4	1.8	4
8	Meridian	Rural	1,491	1.2	1.8	3
8	Mertens	Rural	146	1.8	3	5
8	Mexia	Rural	6,563	1.8	2.4	4
8	Midway	Rural	288	1.2	1.2	2
8	Milano	Rural	400	1.8	1.8	4
8	Millican	Rural	108	0.6	0.6	1
8	Moody	Rural	1,400	2.4	2.4	5
8	Morgan	Rural	485	1.2	3	4
8	Morgan's Point Resort	Rural	2,989	3	0.6	4
8	Mount Calm	Rural	310	1.8	0.6	2
8	Mullin	Rural	175	0.6	3	4
8	Navasota	Rural	6,789	1.2	3	4
8	Nolanville	Rural	2,150	3	1.2	4
8	Normangee	Rural	719	1.2	2.4	4
8	Oakwood	Rural	471	1.2	2.4	4
8	Oglesby	Rural	458	2.4	1.8	4
8	Penelope	Rural	211	1.8	1.8	4
8	Richland Springs	Rural	350	0.6	1.2	2
8	Riesel	Rural	973	2.4	1.2	4
8	Robinson	Urb./Exurb.	7,845	2.4	0.6	3
8	Rockdale	Rural	5,439	1.8	1.8	4
8	Rogers	Rural	1,117	3	1.8	5
8	Rosebud	Rural	1,493	1.8	2.4	4
8	Ross	Rural	228	2.4	0.6	3
8	Salado	Rural	3,475	3	0.6	4
8	San Saba	Rural	2,637	0.6	1.8	2
8	Snook	Rural	568	1.2	1.8	3
8	Somerville	Rural	1,704	1.2	2.4	4
8	South Mountain	Rural	412	2.4	0.6	3
8	Streetman	Rural	203	1.2	1.2	2
8	Teague	Rural	4,557	1.2	1.2	2
8	Tehuacana	Rural	307	1.8	0.6	2
8	Temple	Urb./Exurb.	54,514	3	1.8	5
8	Thorndale	Rural	1,278	1.8	1.2	3
8	Thornton	Rural	525	1.8	1.8	4
8	Todd Mission	Rural	146	1.2	1.2	2
8	Troy	Rural	1,378	3	1.2	4
8	Valley Mills	Rural	1,123	1.2	0.6	2
8	Walnut Springs	Rural	755	1.2	3	4
8	West	Rural	2,692	2.4	1.2	4
8	Whitney	Rural	1,833	1.8	2.4	4

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State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
8	Wixon Valley	Rural	235	0.6	0.6	1
8	Woodway	Urb./Exurb.	8,733	2.4	0.6	3
8	Wortham	Rural	1,082	1.2	2.4	4
9	Alamo Heights	Urb./Exurb.	7,319	1.8	1.2	3
9	Bandera	Rural	957	0.6	2.4	3
9	Bigfoot	Rural	304	1.8	3	5
9	Boerne	Rural	6,178	0.6	2.4	3
9	Bulverde	Rural	3,761	3	0.6	4
9	Canyon Lake	Rural	16,870	3	1.8	5
9	Castle Hills	Urb./Exurb.	4,202	1.8	1.2	3
9	Castroville	Rural	2,664	1.8	1.8	4
9	Charlotte	Rural	1,637	2.4	3	5
9	Christine	Rural	436	2.4	3	5
9	Cibolo	Rural	3,035	3	1.2	4
9	Comfort	Rural	2,358	0.6	3	4
9	Devine	Rural	4,140	1.8	3	5
9	Dilley	Rural	3,674	1.8	3	5
9	Fair Oaks Ranch	Urb./Exurb.	4,695	1.8	0.6	2
9	Falls City	Rural	591	0.6	1.8	2
9	Floresville	Rural	5,868	0.6	2.4	3
9	Fredericksburg	Rural	8,911	0.6	1.8	2
9	Garden Ridge	Rural	1,882	3	0.6	4
9	Geronimo	Urb./Exurb.	619	3	0.6	4
9	Harper	Rural	1,006	0.6	2.4	3
9	Hill Country Village	Urb./Exurb.	1,028	1.8	0.6	2
9	Hilltop	Rural	300	1.8	3	5
9	Hollywood Park	Urb./Exurb.	2,983	1.8	0.6	2
9	Hondo	Rural	7,897	1.8	2.4	4
9	Ingram	Rural	1,740	2.4	2.4	5
9	Jourdanton	Rural	3,732	2.4	2.4	5
9	Karnes City	Rural	3,457	0.6	3	4
9	Kenedy	Rural	3,487	0.6	3	4
9	Kerrville	Rural	20,425	2.4	2.4	5
9	Kingsbury	Rural	652	3	0.6	4
9	La Vernia	Rural	931	0.6	1.8	2
9	LaCoste	Rural	1,255	1.8	2.4	4
9	Lakehills	Rural	4,668	0.6	1.8	2
9	Lytle	Rural	2,383	2.4	2.4	5
9	Marion	Rural	1,099	3	1.8	5
9	McQueeney	Urb./Exurb.	2,527	3	1.2	4
9	Moore	Rural	644	1.8	1.8	4
9	Natalia	Rural	1,663	1.8	3	5
9	New Berlin	Rural	467	3	0.6	4
9	New Braunfels	Urb./Exurb.	36,494	3	1.8	5
9	North Pearsall	Rural	561	1.8	1.8	4
9	Northcliff	Rural	1,819	3	1.2	4
9	Olmos Park	Urb./Exurb.	2,343	1.8	0.6	2
9	Pearsall	Rural	7,157	1.8	3	5
9	Pleasanton	Rural	8,266	2.4	3	5
9	Poteet	Rural	3,305	2.4	3	5
9	Poth	Rural	1,850	0.6	2.4	3

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9	Redwood	Rural	3,586	3	3	6
9	Runge	Rural	1,080	0.6	3	4
9	Santa Clara	Rural	889	3	1.8	5
9	Schertz	Urb./Exurb.	18,694	3	1.2	4
9	Seguin	Urb./Exurb.	22,011	3	2.4	5
9	Selma	Urb./Exurb.	788	1.8	1.2	3
9	St. Hedwig	Rural	1,875	1.8	1.2	3
9	Stockdale	Rural	1,398	0.6	2.4	3
9	Stonewall	Rural	469	0.6	2.4	3
9	Terrell Hills	Urb./Exurb.	5,019	1.8	0.6	2
9	West Pearsall	Rural	349	1.8	1.2	3
9	Windcrest	Urb./Exurb.	5,105	1.8	1.2	3
9	Zuehl	Rural	346	3	1.2	4
10	Agua Dulce (Nueces)	Rural	737	2.4	2.4	5
10	Airport Road Addition	Rural	132	1.2	3	4
10	Alfred-South La Paloma	Rural	451	2.4	0.6	3
10	Alice	Rural	19,010	2.4	1.8	4
10	Alice Acres	Rural	491	2.4	1.2	4
10	Aransas Pass	Rural	8,138	3	1.8	5
10	Austwell	Rural	192	1.2	3	4
10	Bayside	Rural	360	1.2	2.4	4
10	Beeville	Rural	13,129	2.4	2.4	5
10	Benavides	Rural	1,686	1.8	2.4	4
10	Bishop	Rural	3,305	2.4	1.2	4
10	Bloomington	Rural	2,562	3	1.8	5
10	Blue Berry Hill	Rural	982	2.4	3	5
10	Cantu Addition	Rural	217	1.2	1.2	2
10	Concepcion	Rural	61	1.8	0.6	2
10	Coyote Acres	Rural	389	2.4	3	5
10	Cuero	Rural	6,571	1.2	2.4	4
10	Del Sol-Loma Linda	Rural	726	3	2.4	5
10	Doyle	Urb./Exurb.	285	3	0.6	4
10	Driscoll	Rural	825	2.4	1.2	4
10	Edgewater-Paisano	Rural	182	3	3	6
10	Edna	Rural	5,899	1.2	1.8	3
10	Edroy	Rural	420	3	0.6	4
10	Encino	Rural	177	1.2	1.8	3
10	Falfurrias	Rural	5,297	1.2	3	4
10	Falman-County Acres	Rural	289	3	1.2	4
10	Flowella	Rural	134	1.2	3	4
10	Freer	Rural	3,241	1.8	1.8	4
10	Fulton	Rural	1,553	1.2	1.2	2
10	Ganado	Rural	1,915	1.2	1.2	2
10	George West	Rural	2,524	0.6	1.8	2
10	Goliad	Rural	1,975	0.6	1.8	2
10	Gonzales	Rural	7,202	1.8	1.8	4
10	Gregory	Rural	2,318	3	1.2	4
10	Hallettsville	Rural	2,345	1.2	1.2	2
10	Inez	Rural	1,787	3	0.6	4
10	Ingleside	Urb./Exurb.	9,388	3	0.6	4
10	Ingleside on the Bay	Urb./Exurb.	659	3	1.2	4

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State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
10	K-Bar Ranch	Rural	350	2.4	3	5
10	Kingsville	Rural	25,575	2.4	2.4	5
10	La Paloma-Lost Creek	Rural	323	2.4	2.4	5
10	La Ward	Rural	200	1.2	1.2	2
10	Lake City	Rural	526	3	0.6	4
10	Lakeshore Gardens-Hidden Acres	Rural	720	3	0.6	4
10	Lakeside (San Patricio)	Rural	333	3	2.4	5
10	Lolita	Rural	548	1.2	0.6	2
10	Loma Linda East	Rural	214	2.4	1.8	4
10	Mathis	Rural	5,034	3	3	6
10	Morgan Farm Area	Rural	484	3	1.8	5
10	Moulton	Rural	944	1.2	0.6	2
10	Nixon	Rural	2,186	1.8	2.4	4
10	Nordheim	Rural	323	1.2	0.6	2
10	Normanna	Rural	121	2.4	0.6	3
10	North San Pedro	Rural	920	2.4	1.8	4
10	Odem	Rural	2,499	3	1.8	5
10	Orange Grove	Rural	1,288	2.4	1.2	4
10	Owl Ranch-Amargosa	Rural	527	2.4	3	5
10	Pawnee	Rural	201	2.4	2.4	5
10	Pernitas Point	Rural	269	0.6	0.6	1
10	Petronila	Rural	83	2.4	0.6	3
10	Pettus	Rural	608	2.4	1.2	4
10	Point Comfort	Rural	781	1.8	0.6	2
10	Port Aransas	Urb./Exurb.	3,370	2.4	1.2	4
10	Port Lavaca	Rural	12,035	1.8	1.8	4
10	Portland	Urb./Exurb.	14,827	3	0.6	4
10	Premont	Rural	2,772	2.4	3	5
10	Rancho Alegre	Rural	1,775	2.4	3	5
10	Rancho Banquete	Rural	469	2.4	2.4	5
10	Rancho Chico	Rural	309	3	3	6
10	Realitos	Rural	209	1.8	3	5
10	Refugio	Rural	2,941	1.2	1.8	3
10	Robstown	Rural	12,727	2.4	3	5
10	Rockport	Rural	7,385	1.2	1.8	3
10	San Diego	Rural	4,753	1.8	3	5
10	San Patricio	Rural	318	3	1.8	5
10	Sandia	Rural	431	2.4	0.6	3
10	Sandy Hollow-Escondidas	Rural	433	2.4	1.2	4
10	Seadrift	Rural	1,352	1.8	1.8	4
10	Shiner	Rural	2,070	1.2	0.6	2
10	Sinton	Rural	5,676	3	2.4	5
10	Skidmore	Rural	1,013	2.4	2.4	5
10	Smiley	Rural	453	1.8	2.4	4
10	Spring Garden-Terra Verde	Rural	693	2.4	3	5
10	St. Paul (San Patricio)	Rural	542	3	0.6	4
10	Taft	Rural	3,396	3	2.4	5
10	Taft Southwest	Rural	1,721	3	3	6
10	Three Rivers	Rural	1,878	0.6	1.8	2
10	Tierra Grande	Rural	362	2.4	2.4	5
10	Tradewinds	Rural	163	3	3	6

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State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
10	Tuleta	Rural	292	2.4	1.2	4
10	Tulsita	Rural	20	2.4	3	5
10	Tynan	Rural	301	2.4	3	5
10	Vanderbilt	Rural	411	1.2	0.6	2
10	Victoria	Urb./Exurb.	60,603	3	1.2	4
10	Waelder	Rural	947	1.8	1.8	4
10	Westdale	Rural	295	2.4	3	5
10	Woodsboro	Rural	1,685	1.2	1.2	2
10	Yoakum	Rural	5,731	1.2	1.8	3
10	Yorktown	Rural	2,271	1.2	1.8	3
11	Alto Bonito	Rural	569	3	3	6
11	Arroyo Alto	Rural	320	3	3	6
11	Arroyo Colorado Estates	Rural	755	3	1.2	4
11	Arroyo Gardens-La Tina Ranch	Rural	732	3	1.8	5
11	Asherton	Rural	1,342	1.8	2.4	4
11	Batesville	Rural	1,298	1.8	2.4	4
11	Bausell and Ellis	Rural	112	1.8	1.2	3
11	Bayview	Rural	323	3	0.6	4
11	Big Wells	Rural	704	1.8	3	5
11	Bixby	Rural	356	3	2.4	5
11	Bluetown-Iglesia Antigua	Rural	692	3	2.4	5
11	Botines	Rural	132	2.4	2.4	5
11	Box Canyon-Amistad	Rural	76	2.4	0.6	3
11	Brackettville	Rural	1,876	0.6	2.4	3
11	Brundage	Rural	31	1.8	3	5
11	Bruni	Rural	412	2.4	0.6	3
11	Cameron Park	Urb./Exurb.	5,961	3	3	6
11	Camp Wood	Rural	822	0.6	2.4	3
11	Carrizo Hill	Rural	548	1.8	3	5
11	Carrizo Springs	Rural	5,655	1.8	2.4	4
11	Catarina	Rural	135	1.8	0.6	2
11	Chula Vista-Orason	Rural	394	3	3	6
11	Chula Vista-River Spur	Rural	400	1.8	2.4	4
11	Cienegas Terrace	Rural	2,878	2.4	2.4	5
11	Combes	Urb./Exurb.	2,553	3	1.2	4
11	Cotulla	Rural	3,614	1.2	1.8	3
11	Crystal City	Rural	7,190	1.8	3	5
11	Del Mar Heights	Rural	259	3	3	6
11	Del Rio	Rural	33,867	2.4	1.2	4
11	Eagle Pass	Rural	22,413	3	2.4	5
11	Edinburg	Urb./Exurb.	48,465	3	1.8	5
11	Eidson Road	Rural	9,348	3	2.4	5
11	El Camino Angosto	Urb./Exurb.	254	3	3	6
11	El Cenizo	Rural	3,545	2.4	3	5
11	El Indio	Rural	263	3	1.2	4
11	El Refugio	Rural	221	3	3	6
11	Elm Creek	Rural	1,928	3	2.4	5
11	Encantada-Ranchito El Calaboz	Rural	2,100	3	2.4	5
11	Encinal	Rural	629	1.2	3	4
11	Escobares	Rural	1,954	3	3	6
11	Falcon Heights	Rural	335	3	3	6

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
11	Falcon Lake Estates	Rural	830	1.8	0.6	2
11	Falcon Mesa	Rural	506	1.8	0.6	2
11	Falcon Village	Rural	78	3	0.6	4
11	Fowlerton	Rural	62	1.2	0.6	2
11	Fronton	Rural	599	3	1.8	5
11	Garceno	Rural	1,438	3	3	6
11	Grand Acres	Rural	203	3	2.4	5
11	Green Valley Farms	Rural	720	3	3	6
11	Guerra	Rural	8	1.2	0.6	2
11	Hebbronville	Rural	4,498	1.2	1.2	2
11	Indian Lake	Rural	541	3	0.6	4
11	Knippa	Rural	739	1.8	0.6	2
11	La Casita-Garciasville	Rural	2,177	3	3	6
11	La Casita-Garciasville	Rural	2,177	1.8	3	5
11	La Feria	Rural	6,115	3	1.8	5
11	La Feria	Rural	6,115	3	1.8	5
11	La Feria North	Rural	168	3	3	6
11	La Feria North	Rural	168	3	3	6
11	La Grulla	Rural	1,211	3	2.4	5
11	La Grulla	Rural	1,211	1.8	1.8	4
11	La Homa	Urb./Exurb.	10,433	3	3	6
11	La Joya	Rural	3,303	3	2.4	5
11	La Paloma	Rural	354	3	3	6
11	La Paloma	Rural	354	3	3	6
11	La Presa	Rural	508	2.4	2.4	5
11	La Presa	Rural	508	2.4	1.2	4
11	La Pryor	Rural	1,491	1.8	2.4	4
11	La Pryor	Rural	1,491	1.2	2.4	4
11	La Puerta	Rural	1,636	3	3	6
11	La Puerta	Rural	1,636	1.8	1.8	4
11	La Rosita	Rural	1,729	3	3	6
11	La Rosita	Rural	1,729	1.8	3	5
11	La Victoria	Rural	1,683	3	2.4	5
11	La Victoria	Rural	1,683	1.8	1.8	4
11	La Villa	Rural	1,305	3	2.4	5
11	Lago	Rural	246	3	3	6
11	Lago	Rural	246	3	3	6
11	Laguna Heights	Rural	1,990	3	3	6
11	Laguna Heights	Rural	1,990	3	2.4	5
11	Laguna Seca	Rural	251	3	0.6	4
11	Laguna Vista	Rural	1,658	3	0.6	4
11	Laguna Vista	Rural	1,658	3	0.6	4
11	Lake View	Rural	167	2.4	0.6	3
11	Lake View	Rural	167	1.8	0.6	2
11	Laredo	Urb./Exurb.	176,576	2.4	1.8	4
11	Laredo Ranchettes	Rural	1,845	2.4	3	5
11	Laredo Ranchettes	Rural	1,845	2.4	1.8	4
11	Larga Vista	Urb./Exurb.	742	2.4	2.4	5
11	Larga Vista	Urb./Exurb.	742	2.4	3	5
11	Las Colonias	Rural	283	1.8	3	5
11	Las Colonias	Rural	283	1.2	3	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
11	Las Lomas	Rural	2,684	3	3	6
11	Las Lomas	Rural	2,684	1.8	3	5
11	Las Lomitas	Rural	267	1.2	3	4
11	Las Lomitas	Rural	267	0.6	2.4	3
11	Las Palmas-Juarez	Rural	1,666	3	2.4	5
11	Las Palmas-Juarez	Rural	1,666	3	1.8	5
11	Las Quintas Fronterizas	Rural	2,030	3	2.4	5
11	Las Quintas Fronterizas	Rural	2,030	1.8	1.8	4
11	Lasana	Urb./Exurb.	135	3	0.6	4
11	Lasana	Urb./Exurb.	135	3	0.6	4
11	Lasara	Rural	1,024	1.8	3	5
11	Lasara	Rural	1,024	1.2	1.8	3
11	Laughlin AFB	Rural	2,225	2.4	0.6	3
11	Laughlin AFB	Rural	2,225	1.8	0.6	2
11	Laureles	Rural	3,285	3	3	6
11	Laureles	Rural	3,285	3	2.4	5
11	Leakey	Rural	387	0.6	1.2	2
11	Leakey	Rural	387	0.6	1.2	2
11	Llano Grande	Urb./Exurb.	3,333	3	2.4	5
11	Lopeno	Rural	140	1.8	3	5
11	Lopeno	Rural	140	1.2	3	4
11	Lopezville	Urb./Exurb.	4,476	3	2.4	5
11	Los Alvarez	Rural	1,434	3	3	6
11	Los Alvarez	Rural	1,434	1.8	1.2	3
11	Los Angeles Subdivision	Rural	86	1.8	3	5
11	Los Angeles Subdivision	Rural	86	1.2	3	4
11	Los Ebanos	Rural	403	3	3	6
11	Los Fresnos	Rural	4,512	3	2.4	5
11	Los Fresnos	Rural	4,512	3	1.2	4
11	Los Indios	Rural	1,149	3	3	6
11	Los Indios	Rural	1,149	3	1.8	5
11	Los Villareales	Rural	930	3	2.4	5
11	Los Villareales	Rural	930	1.8	1.2	3
11	Lozano	Rural	324	3	0.6	4
11	Lozano	Rural	324	3	0.6	4
11	Lyford	Rural	1,973	1.8	1.8	4
11	Lyford	Rural	1,973	1.2	1.8	3
11	Lyford South	Rural	172	1.8	3	5
11	Lyford South	Rural	172	1.2	3	4
11	McAllen	Urb./Exurb.	106,414	3	1.2	4
11	Medina	Rural	2,960	1.8	3	5
11	Medina	Rural	2,960	1.2	2.4	4
11	Mercedes	Rural	13,649	3	2.4	5
11	Midway North	Urb./Exurb.	3,946	3	1.2	4
11	Midway South	Urb./Exurb.	1,711	3	2.4	5
11	Mila Doce	Rural	4,907	3	3	6
11	Mirando City	Rural	493	2.4	3	5
11	Mirando City	Rural	493	2.4	2.4	5
11	Mission	Urb./Exurb.	45,408	3	1.2	4
11	Mission	Urb./Exurb.	45,408	3	1.2	4
11	Monte Alto	Rural	1,611	3	1.8	5

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
11	Morales-Sanchez	Rural	95	1.8	0.6	2
11	Morales-Sanchez	Rural	95	1.2	0.6	2
11	Muniz	Rural	1,106	3	3	6
11	New Falcon	Rural	184	1.8	3	5
11	New Falcon	Rural	184	1.2	3	4
11	North Alamo	Urb./Exurb.	2,061	3	2.4	5
11	North Escobares	Rural	1,692	3	3	6
11	North Escobares	Rural	1,692	1.8	3	5
11	Nurillo	Urb./Exurb.	5,056	3	2.4	5
11	Oilton	Rural	310	2.4	1.8	4
11	Oilton	Rural	310	2.4	0.6	3
11	Olivarez	Rural	2,445	3	2.4	5
11	Olmito	Urb./Exurb.	1,198	3	3	6
11	Olmito	Urb./Exurb.	1,198	3	3	6
11	Palm Valley	Urb./Exurb.	1,298	3	0.6	4
11	Palm Valley	Urb./Exurb.	1,298	3	0.6	4
11	Palmhurst	Urb./Exurb.	4,872	3	1.8	5
11	Palmview	Urb./Exurb.	4,107	3	1.2	4
11	Palmview South	Urb./Exurb.	6,219	3	2.4	5
11	Penitas	Rural	1,167	3	1.8	5
11	Pharr	Urb./Exurb.	46,660	3	2.4	5
11	Pharr	Urb./Exurb.	46,660	3	1.8	5
11	Port Isabel	Rural	4,865	3	1.8	5
11	Port Isabel	Rural	4,865	3	1.2	4
11	Port Mansfield	Rural	415	1.8	1.2	3
11	Port Mansfield	Rural	415	1.2	0.6	2
11	Primera	Urb./Exurb.	2,723	3	1.8	5
11	Primera	Urb./Exurb.	2,723	3	1.2	4
11	Progreso	Rural	4,851	3	2.4	5
11	Progreso Lakes	Rural	234	3	0.6	4
11	Quemado	Rural	243	3	2.4	5
11	Quemado	Rural	243	1.8	1.8	4
11	Radar Base	Rural	162	3	3	6
11	Radar Base	Rural	162	1.8	2.4	4
11	Ranchette Estates	Rural	133	1.8	3	5
11	Ranchette Estates	Rural	133	1.2	1.8	3
11	Ranchitos Las Lomas	Rural	334	2.4	3	5
11	Ranchitos Las Lomas	Rural	334	2.4	1.8	4
11	Rancho Viejo	Urb./Exurb.	1,754	3	0.6	4
11	Rancho Viejo	Urb./Exurb.	1,754	3	0.6	4
11	Ranchos Penitas West	Urb./Exurb.	520	2.4	1.2	4
11	Ranchos Penitas West	Urb./Exurb.	520	2.4	0.6	3
11	Rangerville	Rural	203	3	2.4	5
11	Rangerville	Rural	203	3	1.8	5
11	Ratamosa	Rural	218	3	0.6	4
11	Ratamosa	Rural	218	3	0.6	4
11	Raymondville	Rural	9,733	1.8	2.4	4
11	Raymondville	Rural	9,733	1.2	1.2	2
11	Reid Hope King	Urb./Exurb.	802	3	3	6
11	Reid Hope King	Urb./Exurb.	802	3	3	6
11	Relampago	Rural	104	3	1.8	5

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
11	Rio Bravo	Urb./Exurb.	5,553	2.4	3	5
11	Rio Bravo	Urb./Exurb.	5,553	2.4	2.4	5
11	Rio Grande City	Rural	11,923	3	3	6
11	Rio Grande City	Rural	11,923	1.8	2.4	4
11	Rio Hondo	Rural	1,942	3	1.8	5
11	Rio Hondo	Rural	1,942	3	1.2	4
11	Rocksprings	Rural	1,285	0.6	2.4	3
11	Rocksprings	Rural	1,285	0.6	1.8	2
11	Roma	Rural	9,617	3	3	6
11	Roma	Rural	9,617	1.8	3	5
11	Roma Creek	Rural	610	3	3	6
11	Roma Creek	Rural	610	1.8	3	5
11	Rosita North	Rural	3,400	3	3	6
11	Rosita North	Rural	3,400	1.8	2.4	4
11	Rosita South	Rural	2,574	3	2.4	5
11	Rosita South	Rural	2,574	1.8	2.4	4
11	Sabinal	Rural	1,586	1.8	1.2	3
11	Sabinal	Rural	1,586	1.8	1.8	4
11	Salineno	Rural	304	3	1.2	4
11	Salineno	Rural	304	1.8	0.6	2
11	San Benito	Urb./Exurb.	23,444	3	2.4	5
11	San Benito	Urb./Exurb.	23,444	3	1.8	5
11	San Carlos	Rural	2,650	3	3	6
11	San Ignacio	Rural	853	1.8	3	5
11	San Ignacio	Rural	853	1.2	2.4	4
11	San Isidro	Rural	270	3	3	6
11	San Isidro	Rural	270	1.8	2.4	4
11	San Juan	Urb./Exurb.	26,229	3	1.8	5
11	San Manuel-Linn	Rural	958	3	0.6	4
11	San Pedro	Rural	668	3	0.6	4
11	San Pedro	Rural	668	3	0.6	4
11	San Perlita	Rural	680	1.8	3	5
11	San Perlita	Rural	680	1.2	3	4
11	Santa Cruz	Rural	630	3	3	6
11	Santa Cruz	Rural	630	1.8	3	5
11	Santa Maria	Rural	846	3	3	6
11	Santa Maria	Rural	846	3	2.4	5
11	Santa Monica	Rural	78	1.8	1.8	4
11	Santa Monica	Rural	78	1.2	1.2	2
11	Santa Rosa	Rural	2,833	3	2.4	5
11	Santa Rosa	Rural	2,833	3	2.4	5
11	Scissors	Rural	2,805	3	2.4	5
11	Sebastian	Rural	1,864	1.8	1.8	4
11	Sebastian	Rural	1,864	1.2	0.6	2
11	Siesta Shores	Rural	890	1.8	0.6	2
11	Siesta Shores	Rural	890	1.2	0.6	2
11	Solis	Rural	545	3	0.6	4
11	Solis	Rural	545	3	0.6	4
11	South Alamo	Rural	3,101	3	3	6
11	South Fork Estates	Rural	47	1.2	0.6	2
11	South Fork Estates	Rural	47	0.6	0.6	1

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
11	South Padre Island	Rural	2,422	3	0.6	4
11	South Padre Island	Rural	2,422	3	0.6	4
11	South Point	Rural	1,118	3	2.4	5
11	South Point	Rural	1,118	3	3	6
11	Spofford	Rural	75	0.6	0.6	1
11	Spofford	Rural	75	0.6	0.6	1
11	Sullivan City	Rural	3,998	3	2.4	5
11	Tierra Bonita	Rural	160	3	1.2	4
11	Tierra Bonita	Rural	160	3	0.6	4
11	Utopia	Rural	241	1.8	1.8	4
11	Utopia	Rural	241	1.8	1.2	3
11	Uvalde	Rural	14,929	1.8	1.8	4
11	Uvalde	Rural	14,929	1.8	1.8	4
11	Uvalde Estates	Rural	1,972	1.8	1.8	4
11	Uvalde Estates	Rural	1,972	1.8	1.8	4
11	Val Verde Park	Rural	1,945	2.4	1.2	4
11	Val Verde Park	Rural	1,945	1.8	1.2	3
11	Villa del Sol	Rural	132	3	0.6	4
11	Villa del Sol	Rural	132	3	1.8	5
11	Villa Pancho	Urb./Exurb.	386	3	3	6
11	Villa Pancho	Urb./Exurb.	386	3	3	6
11	Villa Verde	Urb./Exurb.	891	3	2.4	5
11	Weslaco	Urb./Exurb.	26,935	3	1.8	5
11	West Sharyland	Rural	2,947	3	1.2	4
11	Willamar	Rural	15	1.8	0.6	2
11	Willamar	Rural	15	1.2	0.6	2
11	Yznaga	Rural	103	3	0.6	4
11	Yznaga	Rural	103	3	0.6	4
11	Zapata	Rural	4,856	1.8	2.4	4
11	Zapata	Rural	4,856	1.2	2.4	4
11	Zapata Ranch	Rural	88	1.8	0.6	2
11	Zapata Ranch	Rural	88	1.2	0.6	2
12	Ackerly	Rural	245	2.4	3	5
12	Ackerly	Rural	245	1.8	1.8	4
12	Andrews	Rural	9,652	1.8	1.2	3
12	Andrews	Rural	9,652	1.8	1.2	3
12	Balmorhea	Rural	527	2.4	3	5
12	Balmorhea	Rural	527	1.8	3	5
12	Barstow	Rural	406	1.8	3	5
12	Barstow	Rural	406	1.8	3	5
12	Big Lake	Rural	2,885	1.2	0.6	2
12	Big Lake	Rural	2,885	0.6	1.2	2
12	Big Spring	Rural	25,233	3	1.8	5
12	Big Spring	Rural	25,233	2.4	2.4	5
12	Brady	Rural	5,523	1.8	2.4	4
12	Brady	Rural	5,523	1.8	2.4	4
12	Bronte	Rural	1,076	1.2	1.8	3
12	Bronte	Rural	1,076	1.2	2.4	4
12	Christoval	Rural	422	1.2	1.8	3
12	Christoval	Rural	422	3	2.4	5
12	Coahoma	Rural	932	3	0.6	4

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
12	Coahoma	Rural	932	2.4	0.6	3
12	Coyanosa	Rural	138	1.8	3	5
12	Coyanosa	Rural	138	1.8	3	5
12	Crane	Rural	3,191	1.2	0.6	2
12	Crane	Rural	3,191	1.2	1.2	2
12	Eden	Rural	2,561	1.2	0.6	2
12	Eden	Rural	2,561	0.6	1.2	2
12	Eldorado	Rural	1,951	1.2	2.4	4
12	Eldorado	Rural	1,951	1.2	1.8	3
12	Forsan	Rural	226	3	1.8	5
12	Forsan	Rural	226	2.4	1.2	4
12	Fort Stockton	Rural	7,846	1.8	2.4	4
12	Fort Stockton	Rural	7,846	1.8	1.8	4
12	Gardendale	Rural	1,197	2.4	0.6	3
12	Gardendale	Rural	1,197	3	0.6	4
12	Goldsmith	Rural	253	2.4	1.2	4
12	Goldsmith	Rural	253	3	0.6	4
12	Grandfalls	Rural	391	1.8	3	5
12	Grandfalls	Rural	391	1.8	2.4	4
12	Grape Creek	Rural	3,138	1.2	1.2	2
12	Grape Creek	Rural	3,138	3	1.2	4
12	Imperial	Rural	428	1.8	2.4	4
12	Imperial	Rural	428	1.8	1.2	3
12	Iraan	Rural	1,238	1.8	0.6	2
12	Iraan	Rural	1,238	1.8	0.6	2
12	Junction	Rural	2,618	1.2	2.4	4
12	Junction	Rural	2,618	1.2	2.4	4
12	Kermit	Rural	5,714	1.8	1.8	4
12	Kermit	Rural	5,714	1.2	1.2	2
12	Lamesa	Rural	9,952	2.4	2.4	5
12	Lamesa	Rural	9,952	1.8	2.4	4
12	Lindsay (Reeves)	Rural	394	2.4	3	5
12	Lindsay (Reeves)	Rural	394	1.8	2.4	4
12	Los Ybanez	Rural	32	2.4	3	5
12	Los Ybanez	Rural	32	1.8	3	5
12	Mason	Rural	2,134	1.2	1.8	3
12	Mason	Rural	2,134	1.2	1.8	3
12	McCamey	Rural	1,805	1.2	2.4	4
12	McCamey	Rural	1,805	1.2	2.4	4
12	Melvin	Rural	155	1.8	3	5
12	Melvin	Rural	155	1.8	3	5
12	Menard	Rural	1,653	1.2	3	4
12	Menard	Rural	1,653	0.6	3	4
12	Mertzon	Rural	839	0.6	0.6	1
12	Mertzon	Rural	839	0.6	0.6	1
12	Midland	Urb./Exurb.	94,996	3	1.2	4
12	Midland	Urb./Exurb.	94,996	3	1.2	4
12	Monahans	Rural	6,821	1.8	1.2	3
12	Monahans	Rural	6,821	1.8	1.8	4
12	Odessa	Urb./Exurb.	90,943	3	2.4	5
12	Ozona	Rural	3,436	1.8	2.4	4

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
12	Ozona	Rural	3,436	1.2	2.4	4
12	Paint Rock	Rural	320	1.2	1.8	3
12	Paint Rock	Rural	320	0.6	2.4	3
12	Pecos	Rural	9,501	2.4	3	5
12	Pecos	Rural	9,501	1.8	2.4	4
12	Pyote	Rural	131	1.8	2.4	4
12	Pyote	Rural	131	1.8	0.6	2
12	Rankin	Rural	800	1.2	1.2	2
12	Rankin	Rural	800	1.2	0.6	2
12	Robert Lee	Rural	1,171	1.2	1.8	3
12	Robert Lee	Rural	1,171	1.2	2.4	4
12	San Angelo	Urb./Exurb.	88,439	3	1.8	5
12	Sanderson	Rural	861	1.2	3	4
12	Sanderson	Rural	861	0.6	3	4
12	Seagraves	Rural	2,334	1.8	2.4	4
12	Seagraves	Rural	2,334	1.8	3	5
12	Seminole	Rural	5,910	1.8	1.8	4
12	Seminole	Rural	5,910	1.8	1.2	3
12	Sonora	Rural	2,924	1.2	1.2	2
12	Sonora	Rural	2,924	1.2	1.2	2
12	Stanton	Rural	2,556	1.2	2.4	4
12	Stanton	Rural	2,556	1.2	2.4	4
12	Sterling City	Rural	1,081	0.6	1.8	2
12	Sterling City	Rural	1,081	0.6	1.2	2
12	Thorntonville	Rural	442	1.8	0.6	2
12	Thorntonville	Rural	442	1.8	0.6	2
12	Toyah	Rural	100	2.4	3	5
12	Toyah	Rural	100	1.8	3	5
12	West Odessa	Urb./Exurb.	17,799	2.4	1.8	4
12	West Odessa	Urb./Exurb.	17,799	3	1.8	5
12	Wickett	Rural	455	1.8	1.2	3
12	Wickett	Rural	455	1.8	3	5
12	Wink	Rural	919	1.8	0.6	2
12	Wink	Rural	919	1.2	0.6	2
13	Agua Dulce (El Paso)	Rural	738	3	3	6
13	Agua Dulce (El Paso)	Rural	738	3	1.2	4
13	Alpine	Rural	5,786	2.4	1.8	4
13	Alpine	Rural	5,786	0.6	1.8	2
13	Anthony	Urb./Exurb.	3,850	3	0.6	4
13	Anthony	Urb./Exurb.	3,850	3	1.8	5
13	Butterfield	Rural	61	3	1.2	4
13	Butterfield	Rural	61	3	1.2	4
13	Canutillo	Urb./Exurb.	5,129	3	2.4	5
13	Canutillo	Urb./Exurb.	5,129	3	2.4	5
13	Clint	Rural	980	3	1.2	4
13	Clint	Rural	980	3	1.8	5
13	Dell City	Rural	413	1.2	2.4	4
13	Dell City	Rural	413	0.6	2.4	3
13	El Paso	Urb./Exurb.	563,662	3	1.8	5
13	Fabens	Rural	8,043	3	3	6
13	Fabens	Rural	8,043	3	3	6

Draft 2005 HOME Place Level AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
13	Fort Bliss	Urb./Exurb.	8,264	3	0.6	4
13	Fort Bliss	Urb./Exurb.	8,264	3	0.6	4
13	Fort Davis	Rural	1,050	0.6	1.2	2
13	Fort Davis	Rural	1,050	0.6	1.2	2
13	Fort Hancock	Rural	1,713	1.2	3	4
13	Fort Hancock	Rural	1,713	0.6	3	4
13	Homestead Meadows North	Rural	4,232	3	1.8	5
13	Homestead Meadows North	Rural	4,232	3	1.8	5
13	Homestead Meadows South	Rural	6,807	3	1.8	5
13	Homestead Meadows South	Rural	6,807	3	1.8	5
13	Horizon City	Rural	5,233	3	0.6	4
13	Horizon City	Rural	5,233	3	0.6	4
13	Marathon	Rural	455	2.4	1.2	4
13	Marathon	Rural	455	0.6	1.2	2
13	Marfa	Rural	2,121	3	1.2	4
13	Marfa	Rural	2,121	0.6	1.8	2
13	Morning Glory	Rural	627	3	0.6	4
13	Morning Glory	Rural	627	3	0.6	4
13	Prado Verde	Urb./Exurb.	200	3	0.6	4
13	Prado Verde	Urb./Exurb.	200	3	0.6	4
13	Presidio	Rural	4,167	3	3	6
13	Presidio	Rural	4,167	0.6	2.4	3
13	Redford	Rural	132	3	3	6
13	Redford	Rural	132	0.6	3	4
13	San Elizario	Urb./Exurb.	11,046	3	3	6
13	San Elizario	Urb./Exurb.	11,046	3	2.4	5
13	Sierra Blanca	Rural	533	1.2	1.8	3
13	Sierra Blanca	Rural	533	0.6	1.2	2
13	Socorro	Urb./Exurb.	27,152	3	2.4	5
13	Socorro	Urb./Exurb.	27,152	3	2.4	5
13	Sparks	Rural	2,974	3	2.4	5
13	Sparks	Rural	2,974	3	2.4	5
13	Study Butte-Terlingua	Rural	267	2.4	1.2	4
13	Study Butte-Terlingua	Rural	267	0.6	1.2	2
13	Tornillo	Rural	1,609	3	2.4	5
13	Tornillo	Rural	1,609	3	2.4	5
13	Valentine	Rural	187	0.6	0.6	1
13	Valentine	Rural	187	0.6	0.6	1
13	Van Horn	Rural	2,435	0.6	1.8	2
13	Van Horn	Rural	2,435	0.6	1.8	2
13	Vinton	Rural	1,892	3	1.8	5
13	Vinton	Rural	1,892	3	2.4	5
13	Westway	Urb./Exurb.	3,829	3	2.4	5
13	Westway	Urb./Exurb.	3,829	3	2.4	5

Draft 2005 HOME Affordable Housing Need Scores (AHNS)
County Level

(Sorted by Region then County.)

Instructions:
Use this table to determine an AHNS for an application that will serve an entire county, multiple counties, or multiple places within a county or counties.
Special Circumstances
(1) If multiple counties or places in multiple counties will be served by the application, then the county scores should be averaged.
(2) Participating Jurisdictions (PJ) recieve a score of zero and are not included in the table.
All questions relating to scoring an application under the AHN Scoring Component should be submitted in writing to Skip Beaird via facsimile at (512) 475-0908 or by email at sbearid@tdhca.state.tx.us.

State Service Region	County	Population	County Need/ County Pop	County Need/ Region Need Points	AHNS
1	Armstrong	2,148	1.2	0.6	2
1	Bailey	6,594	1.8	1.2	3
1	Briscoe	1,790	1.8	1.2	3
1	Carson	6,516	0.6	1.2	2
1	Castro	8,285	2.4	2.4	5
1	Childress	7,688	1.2	1.8	3
1	Cochran	3,730	3.0	1.2	4
1	Collingsworth	3,206	2.4	1.2	4
1	Crosby	7,072	3.0	2.4	5
1	Dallam	6,222	1.2	1.8	3
1	Deaf Smith	18,561	2.4	2.4	5
1	Dickens	2,762	2.4	1.2	4
1	Donley	3,828	1.8	1.2	3
1	Floyd	7,771	2.4	2.4	5
1	Garza	4,872	3.0	1.8	5
1	Gray	22,744	1.2	2.4	4
1	Hale	36,602	2.4	3.0	5
1	Hall	3,782	3.0	1.8	5
1	Hansford	5,369	1.8	1.2	3
1	Hartley	5,537	0.6	0.6	1
1	Hemphill	3,351	1.2	1.2	2
1	Hockley	22,716	2.4	3.0	5
1	Hutchinson	23,857	0.6	2.4	3
1	Lamb	14,709	2.4	2.4	5
1	Lipscomb	3,057	2.4	1.2	4
1	Lubbock	242,628	1.8	2.4	4
1	Lynn	6,550	2.4	1.8	4
1	Moore	20,121	1.2	2.4	4
1	Motley	1,426	1.8	0.6	2
1	Ochiltree	9,006	1.2	1.8	3
1	Oldham	2,185	1.8	0.6	2
1	Parmer	10,016	1.8	2.4	4
1	Potter	113,546	0.6	0.6	1
1	Randall	104,312	1.8	2.4	4
1	Roberts	887	0.6	0.6	1
1	Sherman	3,186	1.2	1.2	2
1	Swisher	8,378	1.8	1.8	4

Draft 2005 HOME Count Level AHNS

State Service Region	County	Population	County Need/ County Pop	County Need/ Region Need Points	AHNS
1	Terry	12,761	2.4	2.4	5
1	Wheeler	5,284	1.8	1.2	3
1	Yoakum	7,322	2.4	1.8	4
2	Archer	8,854	0.6	1.2	2
2	Baylor	4,093	1.8	0.6	2
2	Brown	37,674	2.4	3.0	5
2	Callahan	12,905	1.2	1.2	2
2	Clay	11,006	1.2	1.2	2
2	Coleman	9,235	3.0	1.8	5
2	Comanche	14,026	2.4	1.8	4
2	Cottle	1,904	1.8	0.6	2
2	Eastland	18,297	1.8	2.4	4
2	Fisher	4,344	1.8	0.6	2
2	Foard	1,622	1.8	0.6	2
2	Hardeman	4,724	2.4	1.2	4
2	Haskell	6,093	3.0	1.8	5
2	Jack	8,763	1.2	1.2	2
2	Jones	20,785	2.4	2.4	5
2	Kent	859	0.6	0.6	1
2	Knox	4,253	3.0	1.2	4
2	Mitchell	9,698	3.0	1.8	5
2	Montague	19,117	1.8	2.4	4
2	Nolan	15,802	3.0	2.4	5
2	Runnels	11,495	2.4	1.8	4
2	Scurry	16,361	1.2	2.4	4
2	Shackelford	3,302	0.6	0.6	1
2	Stephens	9,674	1.8	1.8	4
2	Stonewall	1,693	2.4	0.6	3
2	Taylor	126,555	1.2	1.8	3
2	Throckmorton	1,850	1.2	0.6	2
2	Wichita	131,664	0.6	2.4	3
2	Wilbarger	14,676	1.2	2.4	4
2	Young	17,943	1.8	2.4	4
3	Collin	491,675	1.2	3.0	4
3	Cooke	36,363	2.4	1.8	4
3	Denton	432,976	1.2	3.0	4
3	Ellis	111,360	1.8	2.4	4
3	Erath	33,001	3.0	1.8	5
3	Fannin	31,242	2.4	1.2	4
3	Grayson	110,595	2.4	3.0	5
3	Hood	41,100	1.8	0.6	2
3	Hunt	76,596	3.0	2.4	5
3	Johnson	126,811	1.8	2.4	4
3	Kaufman	71,313	2.4	1.8	4
3	Navarro	45,124	3.0	2.4	5
3	Palo Pinto	27,026	3.0	1.8	5
3	Parker	88,495	1.8	1.8	4
3	Rockwall	43,080	1.2	0.6	2
3	Somervell	6,809	2.4	0.6	3
3	Wise	48,793	2.4	1.2	4
4	Anderson	55,109	2.4	2.4	5

Draft 2005 HOME Count Level AHNS

State Service Region	County	Population	County Need/ County Pop	County Need/ Region Need Points	AHNS
4	Bowie	89,306	2.4	3.0	5
4	Camp	11,549	3.0	0.6	4
4	Cass	30,438	2.4	1.8	4
4	Cherokee	46,659	2.4	3.0	5
4	Delta	5,327	3.0	0.6	4
4	Franklin	9,458	1.8	0.6	2
4	Gregg	111,379	1.2	2.4	4
4	Harrison	62,110	1.8	3.0	5
4	Henderson	73,277	1.8	3.0	5
4	Hopkins	31,960	1.8	1.8	4
4	Lamar	48,499	2.4	3.0	5
4	Marion	10,941	3.0	0.6	4
4	Morris	13,048	3.0	1.2	4
4	Panola	22,756	1.2	1.2	2
4	Rains	9,139	1.2	0.6	2
4	Red River	14,314	2.4	1.2	4
4	Rusk	47,372	1.2	1.8	3
4	Smith	174,706	0.6	1.2	2
4	Titus	28,118	2.4	2.4	5
4	Upshur	35,291	1.8	1.2	3
4	Van Zandt	48,140	1.2	1.8	3
4	Wood	36,752	1.2	1.2	2
5	Angelina	80,130	1.8	3.0	5
5	Hardin	48,073	1.2	1.2	2
5	Houston	23,185	3.0	1.2	4
5	Jasper	35,604	2.4	1.8	4
5	Jefferson	252,051	0.6	3.0	4
5	Nacogdoches	59,203	3.0	3.0	6
5	Newton	15,072	1.8	0.6	2
5	Orange	84,966	1.2	3.0	4
5	Polk	41,133	1.8	1.2	3
5	Sabine	10,469	1.2	0.6	2
5	San Augustine	8,946	1.8	0.6	2
5	San Jacinto	22,246	1.8	0.6	2
5	Shelby	25,224	2.4	1.2	4
5	Trinity	13,779	2.4	0.6	3
5	Tyler	20,871	1.8	0.6	2
6	Austin	23,590	1.8	0.6	2
6	Chambers	26,031	1.8	0.6	2
6	Colorado	20,390	2.4	0.6	3
6	Galveston	250,158	1.8	3.0	5
6	Liberty	70,154	2.4	1.2	4
6	Matagorda	37,957	2.4	1.2	4
6	Walker	61,758	3.0	1.2	4
6	Waller	32,663	3.0	0.6	4
6	Wharton	41,188	2.4	1.2	4
7	Bastrop	57,733	2.4	1.8	4
7	Blanco	8,418	2.4	0.6	3
7	Burnet	34,147	2.4	1.8	4
7	Caldwell	32,194	2.4	1.8	4
7	Fayette	21,804	2.4	1.2	4

Draft 2005 HOME Count Level AHNS

State Service Region	County	Population	County Need/ County Pop	County Need/ Region Need Points	AHNS
7	Hays	97,589	3.0	3.0	6
7	Lee	15,657	2.4	0.6	3
7	Llano	17,044	1.8	1.2	3
7	Travis	812,280	1.2	2.4	4
7	Williamson	249,967	1.8	3.0	5
8	Bell	237,974	1.2	3.0	4
8	Bosque	17,204	1.8	1.2	3
8	Coryell	74,978	1.2	2.4	4
8	Falls	18,576	3.0	1.8	5
8	Freestone	17,867	1.8	1.2	3
8	Hamilton	8,229	1.8	0.6	2
8	Hill	32,321	2.4	1.8	4
8	Lampasas	17,762	2.4	1.2	4
8	Limestone	22,051	2.4	1.8	4
8	McLennan	213,517	0.6	2.4	3
8	Milam	24,238	1.8	1.8	4
8	Mills	5,151	2.4	0.6	3
8	San Saba	6,186	1.8	0.6	2
9	Atascosa	38,628	3.0	2.4	5
9	Bandera	17,645	1.8	0.6	2
9	Comal	78,021	1.8	3.0	5
9	Frio	16,252	3.0	1.8	5
9	Gillespie	20,814	2.4	0.6	3
9	Guadalupe	89,023	1.8	3.0	5
9	Karnes	15,446	3.0	0.6	4
9	Kendall	23,743	2.4	0.6	3
9	Kerr	43,653	2.4	2.4	5
9	Medina	39,304	2.4	1.8	4
9	Wilson	32,408	2.4	0.6	3
10	Aransas	22,497	1.8	1.2	3
10	Bee	32,359	2.4	2.4	5
10	Brooks	7,976	3.0	1.2	4
10	Calhoun	20,647	1.8	1.8	4
10	DeWitt	20,013	1.8	1.2	3
10	Duval	13,120	2.4	1.8	4
10	Goliad	6,928	1.8	0.6	2
10	Gonzales	18,628	1.8	1.8	4
10	Jackson	14,391	1.2	1.2	2
10	Jim Wells	39,326	1.8	2.4	4
10	Kleberg	31,549	2.4	2.4	5
10	Lavaca	19,210	1.2	1.2	2
10	Live Oak	12,309	1.8	0.6	2
10	Nueces	313,645	2.4	2.4	5
10	Refugio	7,828	1.8	1.2	3
10	San Patricio	67,138	1.8	3.0	5
10	Victoria	84,088	1.2	3.0	4
11	Cameron	335,227	2.4	3.0	5
11	Dimmit	10,248	2.4	1.8	4
11	Edwards	2,162	2.4	0.6	3
11	Jim Hogg	5,281	1.2	1.2	2
11	Kinney	3,379	2.4	0.6	3

Draft 2005 HOME Count Level AHNS

State Service Region	County	Population	County Need/ County Pop	County Need/ Region Need Points	AHNS
11	La Salle	5,866	1.8	1.2	3
11	Maverick	47,297	2.4	3.0	5
11	Real	3,047	1.8	0.6	2
11	Starr	53,597	3.0	3.0	6
11	Uvalde	25,926	1.8	1.8	4
11	Val Verde	44,856	1.2	2.4	4
11	Webb	193,117	3.0	2.4	5
11	Willacy	20,082	2.4	1.8	4
11	Zapata	12,182	2.4	1.8	4
11	Zavala	11,600	3.0	1.8	5
12	Andrews	13,004	1.2	1.8	3
12	Coke	3,864	1.8	1.2	3
12	Concho	3,966	0.6	1.2	2
12	Crane	3,996	0.6	1.2	2
12	Crockett	4,099	2.4	1.8	4
12	Dawson	14,985	2.4	2.4	5
12	Ector	121,123	1.8	2.4	4
12	Gaines	14,467	1.8	1.8	4
12	Howard	33,627	1.8	3.0	5
12	Irion	1,771	0.6	0.6	1
12	Kimble	4,468	2.4	1.2	4
12	Martin	4,746	2.4	1.2	4
12	Mason	3,738	1.8	1.2	3
12	McCulloch	8,205	3.0	1.8	5
12	Menard	2,360	3.0	1.2	4
12	Midland	116,009	1.2	3.0	4
12	Pecos	16,809	1.8	1.8	4
12	Reagan	3,326	0.6	1.2	2
12	Reeves	13,137	3.0	2.4	5
12	Schleicher	2,935	2.4	1.2	4
12	Sterling	1,393	1.8	0.6	2
12	Sutton	4,077	1.2	1.2	2
12	Terrell	1,081	3.0	1.2	4
12	Tom Green	104,010	1.2	1.2	2
12	Upton	3,404	2.4	1.2	4
12	Ward	10,909	1.8	1.8	4
12	Winkler	7,173	1.2	1.8	3
13	Brewster	8,866	1.8	2.4	4
13	Culberson	2,975	1.8	0.6	2
13	El Paso	679,622	1.8	3.0	5
13	Hudspeth	3,344	3.0	1.2	4
13	Jeff Davis	2,207	1.2	0.6	2
13	Presidio	7,304	2.4	3.0	5

Draft 2005 Housing Tax Credit and Housing Trust Fund Affordable Housing Need Scores (AHNS)

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

(Sorted by Region then Place.)

Use this table to determine an application's AHNS:

(1) Locate the row that corresponds to the place where the funds will be used.

(2) Development sites located outside the boundaries of a place (as designated by the U.S. Census) will utilize the score of the place whose boundary is closest to the development site.

If a score for a specific place is not included in the table, then contact TDHCA's Center for Housing Research, Planning, and Communications at 512.475.3976.

All other questions relating to scoring an application under the AHNS should be submitted in writing to:

Housing Trust Fund: Emily Price via facsimile (512) 475-0764 or by email at eprice@tdhca.state.tx.us.

Housing Tax Credit: Jennifer Joyce via facsimile at (512) 475-0764 or by email at jjoyce@tdhca.state.tx.us.

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
1	Abernathy	Rural	2,839	2.4	1.2	4
1	Adrian	Rural	159	0.6	3	4
1	Amarillo	Urb./Exurb.	173,627	3	2.4	5
1	Amherst	Rural	791	1.8	3	5
1	Anton	Rural	1,200	2.4	1.8	4
1	Bishop Hills	Rural	210	3	0.6	4
1	Booker	Rural	1,315	0.6	2.4	3
1	Borger	Rural	14,302	1.8	1.2	3
1	Bovina	Rural	1,874	1.2	2.4	4
1	Brownfield	Rural	9,488	1.8	3	5
1	Buffalo Springs	Rural	493	3	0.6	4
1	Cactus	Rural	2,538	1.8	1.8	4
1	Canadian	Rural	2,233	0.6	1.8	2
1	Canyon	Rural	12,875	3	3	6
1	Channing	Rural	356	0.6	1.2	2
1	Childress	Rural	6,778	1.2	1.8	3
1	Clarendon	Rural	1,974	0.6	1.8	2
1	Claude	Rural	1,313	0.6	2.4	3
1	Crosbyton	Rural	1,874	1.2	3	4
1	Dalhart	Rural	7,237	1.2	1.8	3
1	Darrouzett	Rural	303	0.6	2.4	3
1	Denver City	Rural	3,985	1.2	2.4	4
1	Dickens	Rural	332	0.6	3	4
1	Dimmitt	Rural	4,375	1.2	2.4	4
1	Dodson	Rural	115	0.6	3	4
1	Dumas	Rural	13,747	1.8	1.2	3
1	Earth	Rural	1,109	1.8	3	5
1	Edmonson	Rural	123	2.4	0.6	3
1	Estelline	Rural	168	1.2	3	4
1	Farwell	Rural	1,364	1.2	3	4
1	Floydada	Rural	3,676	1.2	3	4
1	Follett	Rural	412	0.6	1.2	2
1	Friona	Rural	3,854	1.2	2.4	4
1	Fritch	Rural	2,235	1.8	0.6	2
1	Groom	Rural	587	0.6	2.4	3
1	Gruver	Rural	1,162	1.2	2.4	4
1	Hale Center	Rural	2,263	2.4	2.4	5

Draft 2005 HTC and HTF AHNS

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
1	Happy	Rural	647	1.2	1.2	2
1	Hart	Rural	1,198	1.2	1.8	3
1	Hartley	Rural	441	0.6	1.2	2
1	Hedley	Rural	379	0.6	3	4
1	Hereford	Rural	14,597	1.8	2.4	4
1	Higgins	Rural	425	0.6	1.2	2
1	Howardwick	Rural	437	0.6	2.4	3
1	Idalou	Rural	2,157	3	0.6	4
1	Kress	Rural	826	1.2	1.8	3
1	Lake Tanglewood	Rural	825	3	1.2	4
1	Lakeview	Rural	152	1.2	3	4
1	Lefors	Rural	559	1.8	0.6	2
1	Levelland	Rural	12,866	2.4	2.4	5
1	Lipscomb	Rural	44	0.6	0.6	1
1	Littlefield	Rural	6,507	1.8	3	5
1	Lockney	Rural	2,056	1.2	1.8	3
1	Lorenzo	Rural	1,372	1.2	3	4
1	Lubbock	Urb./Exurb.	199,564	3	3	6
1	Matador	Rural	740	0.6	1.8	2
1	McLean	Rural	830	1.8	1.8	4
1	Meadow	Rural	658	1.8	1.2	3
1	Memphis	Rural	2,479	1.2	2.4	4
1	Miami	Rural	588	0.6	1.2	2
1	Mobeetie	Rural	107	0.6	0.6	1
1	Morse	Rural	172	1.2	0.6	2
1	Morton	Rural	2,249	1.2	3	4
1	Muleshoe	Rural	4,530	1.2	1.2	2
1	Nazareth	Rural	356	1.2	0.6	2
1	New Deal	Rural	708	3	2.4	5
1	New Home	Rural	320	1.2	1.2	2
1	O'Donnell	Rural	1,011	1.2	2.4	4
1	Olton	Rural	2,288	1.8	2.4	4
1	Opdyke West	Rural	188	2.4	1.2	4
1	Palisades	Rural	352	3	1.8	5
1	Pampa	Rural	17,887	1.8	1.8	4
1	Panhandle	Rural	2,589	0.6	0.6	1
1	Perryton	Rural	7,774	1.2	1.2	2
1	Petersburg	Rural	1,262	2.4	1.8	4
1	Plains	Rural	1,450	1.2	2.4	4
1	Plainview	Rural	22,336	2.4	2.4	5
1	Post	Rural	3,708	1.2	3	4
1	Quail	Rural	33	0.6	0.6	1
1	Quitaque	Rural	432	0.6	3	4
1	Ralls	Rural	2,252	1.2	3	4
1	Ransom Canyon	Rural	1,011	3	0.6	4
1	Reese Center	Urb./Exurb.	42	3	0.6	4
1	Roaring Springs	Rural	265	0.6	1.2	2
1	Ropesville	Rural	517	2.4	0.6	3
1	Samnorwood	Rural	39	0.6	0.6	1
1	Sanford	Rural	203	1.8	3	5
1	Seth Ward	Rural	1,926	2.4	3	5

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
1	Shallowater	Rural	2,086	3	2.4	5
1	Shamrock	Rural	2,029	0.6	2.4	3
1	Silverton	Rural	771	0.6	3	4
1	Skellytown	Rural	610	0.6	0.6	1
1	Slaton	Rural	6,109	3	2.4	5
1	Smyer	Rural	480	2.4	1.8	4
1	Spade	Rural	100	1.8	1.8	4
1	Spearman	Rural	3,021	1.2	1.2	2
1	Springlake	Rural	135	1.8	3	5
1	Spur	Rural	1,088	0.6	1.2	2
1	Stinnett	Rural	1,936	1.8	1.2	3
1	Stratford	Rural	1,991	0.6	0.6	1
1	Sudan	Rural	1,039	1.8	2.4	4
1	Sundown	Rural	1,505	2.4	1.2	4
1	Sunray	Rural	1,950	1.8	1.2	3
1	Tahoka	Rural	2,910	1.2	2.4	4
1	Texhoma	Rural	371	0.6	2.4	3
1	Texline	Rural	511	1.2	1.2	2
1	Timbercreek Canyon	Rural	406	3	0.6	4
1	Tulia	Rural	5,117	1.2	1.8	3
1	Turkey	Rural	494	1.2	3	4
1	Vega	Rural	936	0.6	1.8	2
1	Wellington	Rural	2,275	0.6	2.4	3
1	Wellman	Rural	203	1.8	1.8	4
1	Wheeler	Rural	1,378	0.6	0.6	1
1	White Deer	Rural	1,060	0.6	0.6	1
1	Whiteface	Rural	465	1.2	0.6	2
1	Wilson	Rural	532	1.2	1.8	3
1	Wolfforth	Rural	2,554	3	1.8	5
2	Abilene	Urb./Exurb.	115,930	3	1.8	5
2	Albany	Rural	1,921	0.6	1.2	2
2	Anson	Rural	2,556	1.2	1.2	2
2	Archer City	Rural	1,848	0.6	0.6	1
2	Aspermont	Rural	1,021	0.6	1.8	2
2	Baird	Rural	1,623	1.2	1.8	3
2	Ballinger	Rural	4,243	1.2	1.8	3
2	Bangs	Rural	1,620	2.4	1.8	4
2	Bellevue	Rural	386	0.6	1.8	2
2	Benjamin	Rural	264	0.6	0.6	1
2	Blackwell	Rural	360	1.8	1.2	3
2	Blanket	Rural	402	2.4	3	5
2	Bowie	Rural	5,219	1.8	1.8	4
2	Breckenridge	Rural	5,868	0.6	1.8	2
2	Brownwood	Rural	18,813	2.4	2.4	5
2	Bryson	Rural	528	0.6	1.8	2
2	Buffalo Gap	Rural	463	3	0.6	4
2	Burkburnett	Rural	10,927	3	1.2	4
2	Byers	Rural	517	0.6	1.2	2
2	Carbon	Rural	224	1.8	0.6	2
2	Chillicothe	Rural	798	0.6	3	4
2	Cisco	Rural	3,851	1.8	3	5

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
2	Clyde	Rural	3,345	1.2	1.2	2
2	Coleman	Rural	5,127	1.2	2.4	4
2	Colorado City	Rural	4,281	0.6	2.4	3
2	Comanche	Rural	4,482	1.8	2.4	4
2	Cross Plains	Rural	1,068	1.2	2.4	4
2	Crowell	Rural	1,141	0.6	1.8	2
2	De Leon	Rural	2,433	1.8	2.4	4
2	Dean	Rural	341	0.6	3	4
2	Early	Rural	2,588	2.4	1.2	4
2	Eastland	Rural	3,769	1.8	2.4	4
2	Elbert	Rural	56	0.6	3	4
2	Electra	Rural	3,168	3	2.4	5
2	Girard	Rural	62	0.6	0.6	1
2	Goree	Rural	321	0.6	2.4	3
2	Gorman	Rural	1,236	1.8	0.6	2
2	Graham	Rural	8,716	1.8	1.2	3
2	Gustine	Rural	457	1.8	3	5
2	Hamlin	Rural	2,248	1.2	1.8	3
2	Haskell	Rural	3,106	0.6	3	4
2	Hawley	Rural	646	1.2	2.4	4
2	Henrietta	Rural	3,264	0.6	1.2	2
2	Hermleigh	Rural	393	1.2	3	4
2	Holliday	Rural	1,632	0.6	0.6	1
2	Impact	Urb./Exurb.	39	3	1.2	4
2	Iowa Park	Rural	6,431	3	1.2	4
2	Jacksboro	Rural	4,533	0.6	1.2	2
2	Jayton	Rural	513	0.6	0.6	1
2	Jolly	Rural	188	0.6	0.6	1
2	Knox City	Rural	1,219	0.6	1.8	2
2	Lake Brownwood	Rural	1,694	2.4	3	5
2	Lakeside City	Urb./Exurb.	984	0.6	0.6	1
2	Lawn	Rural	353	3	0.6	4
2	Loraine	Rural	656	0.6	3	4
2	Lueders	Rural	300	1.2	1.8	3
2	Megargel	Rural	248	0.6	0.6	1
2	Merkel	Rural	2,637	3	1.2	4
2	Miles	Rural	850	1.2	1.8	3
2	Moran	Rural	233	0.6	2.4	3
2	Munday	Rural	1,527	0.6	2.4	3
2	Newcastle	Rural	575	1.8	2.4	4
2	Nocona	Rural	3,198	1.8	1.2	3
2	Novice	Rural	142	1.2	0.6	2
2	O'Brien	Rural	132	0.6	0.6	1
2	Olney	Rural	3,396	1.8	1.8	4
2	Paducah	Rural	1,498	0.6	1.8	2
2	Petrolia	Rural	782	0.6	2.4	3
2	Pleasant Valley	Urb./Exurb.	408	3	1.8	5
2	Potosi	Urb./Exurb.	1,664	3	1.2	4
2	Putnam	Rural	88	1.2	3	4
2	Quanah	Rural	3,022	0.6	2.4	3
2	Ranger	Rural	2,584	1.8	1.2	3

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
2	Rising Star	Rural	835	1.8	1.8	4
2	Roby	Rural	673	0.6	1.8	2
2	Rochester	Rural	378	0.6	3	4
2	Roscoe	Rural	1,378	1.8	1.8	4
2	Rotan	Rural	1,611	0.6	1.8	2
2	Rule	Rural	698	0.6	1.8	2
2	Santa Anna	Rural	1,081	1.2	1.8	3
2	Scotland	Rural	438	0.6	0.6	1
2	Seymour	Rural	2,908	0.6	1.8	2
2	Snyder	Rural	10,783	1.2	1.2	2
2	St. Jo	Rural	977	1.8	1.2	3
2	Stamford	Rural	3,636	1.2	1.8	3
2	Sunset	Rural	339	1.8	0.6	2
2	Sweetwater	Rural	11,415	1.8	2.4	4
2	Throckmorton	Rural	905	0.6	1.2	2
2	Trent	Rural	318	3	1.2	4
2	Tuscola	Rural	714	3	0.6	4
2	Tye	Urb./Exurb.	1,158	3	3	6
2	Vernon	Rural	11,660	1.2	1.2	2
2	Weinert	Rural	177	0.6	2.4	3
2	Westbrook	Rural	203	0.6	1.8	2
2	Wichita Falls	Urb./Exurb.	104,197	3	1.2	4
2	Windthorst	Rural	440	0.6	0.6	1
2	Winters	Rural	2,880	1.2	2.4	4
2	Woodson	Rural	296	0.6	0.6	1
3	Addison	Urb./Exurb.	14,166	3	1.2	4
3	Aledo	Rural	1,726	0.6	1.2	2
3	Allen	Urb./Exurb.	43,554	2.4	1.8	4
3	Alma	Rural	302	0.6	3	4
3	Alvarado	Rural	3,288	0.6	1.8	2
3	Alvord	Rural	1,007	0.6	1.8	2
3	Angus	Rural	334	0.6	2.4	3
3	Anna	Rural	1,225	2.4	2.4	5
3	Annetta	Rural	1,108	0.6	2.4	3
3	Annetta North	Rural	467	0.6	3	4
3	Annetta South	Rural	555	0.6	1.8	2
3	Argyle	Urb./Exurb.	2,365	2.4	1.2	4
3	Arlington	Urb./Exurb.	332,969	3	2.4	5
3	Aubrey	Rural	1,500	2.4	2.4	5
3	Aurora	Rural	853	0.6	3	4
3	Azle	Urb./Exurb.	9,600	3	1.8	5
3	Bailey	Rural	213	0.6	3	4
3	Balch Springs	Urb./Exurb.	19,375	3	2.4	5
3	Bardwell	Rural	583	0.6	3	4
3	Barry	Rural	209	0.6	3	4
3	Bartonville	Rural	1,093	2.4	0.6	3
3	Bedford	Urb./Exurb.	47,152	3	1.2	4
3	Bells	Rural	1,190	1.2	2.4	4
3	Benbrook	Urb./Exurb.	20,208	3	1.2	4
3	Blooming Grove	Rural	833	0.6	2.4	3
3	Blue Mound	Urb./Exurb.	2,388	3	1.2	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
3	Blue Ridge	Rural	672	2.4	2.4	5
3	Bonham	Rural	9,990	0.6	2.4	3
3	Boyd	Rural	1,099	0.6	3	4
3	Briar	Rural	5,350	3	0.6	4
3	Briaroaks	Rural	493	0.6	0.6	1
3	Bridgeport	Rural	4,309	0.6	3	4
3	Burleson	Urb./Exurb.	20,976	0.6	1.8	2
3	Caddo Mills	Rural	1,149	0.6	2.4	3
3	Callisburg	Rural	365	0.6	2.4	3
3	Campbell	Rural	734	0.6	1.8	2
3	Carrollton	Urb./Exurb.	109,576	2.4	1.2	4
3	Cedar Hill	Urb./Exurb.	32,093	3	1.8	5
3	Celeste	Rural	817	0.6	1.8	2
3	Celina	Urb./Exurb.	1,861	2.4	1.8	4
3	Chico	Rural	947	0.6	2.4	3
3	Cleburne	Urb./Exurb.	26,005	0.6	2.4	3
3	Cockrell Hill	Urb./Exurb.	4,443	3	3	6
3	Colleyville	Urb./Exurb.	19,636	3	0.6	4
3	Collinsville	Rural	1,235	1.2	1.2	2
3	Combine	Rural	1,788	0.6	1.8	2
3	Commerce	Rural	7,669	0.6	3	4
3	Cool	Rural	162	0.6	3	4
3	Coppell	Urb./Exurb.	35,958	3	0.6	4
3	Copper Canyon	Urb./Exurb.	1,216	2.4	1.8	4
3	Corinth	Urb./Exurb.	11,325	2.4	0.6	3
3	Corral City	Rural	89	2.4	0.6	3
3	Corsicana	Rural	24,485	0.6	3	4
3	Cottonwood	Rural	181	0.6	2.4	3
3	Crandall	Rural	2,774	0.6	1.2	2
3	Cross Roads	Rural	603	2.4	0.6	3
3	Cross Timber	Rural	277	0.6	3	4
3	Crowley	Urb./Exurb.	7,467	3	1.8	5
3	Dallas	Urb./Exurb.	1,188,580	3	3	6
3	Dalworthington Gardens	Urb./Exurb.	2,186	3	0.6	4
3	Dawson	Rural	852	0.6	2.4	3
3	Decatur	Rural	5,201	0.6	1.8	2
3	Denison	Urb./Exurb.	22,773	1.2	2.4	4
3	Denton	Urb./Exurb.	80,537	2.4	3	5
3	DeSoto	Urb./Exurb.	37,646	3	1.8	5
3	Dodd City	Rural	419	0.6	3	4
3	Dorchester	Urb./Exurb.	109	1.2	0.6	2
3	Double Oak	Urb./Exurb.	2,179	2.4	2.4	5
3	Dublin	Rural	3,754	0.6	3	4
3	Duncanville	Urb./Exurb.	36,081	3	1.8	5
3	Eagle Mountain	Urb./Exurb.	6,599	3	1.2	4
3	Ector	Rural	600	0.6	1.8	2
3	Edgecliff Village	Urb./Exurb.	2,550	3	1.8	5
3	Emhouse	Rural	159	0.6	0.6	1
3	Ennis	Rural	16,045	0.6	2.4	3
3	Euless	Urb./Exurb.	46,005	3	1.2	4
3	Eureka	Rural	340	0.6	0.6	1

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
3	Everman	Urb./Exurb.	5,836	3	2.4	5
3	Fairview	Urb./Exurb.	2,644	2.4	2.4	5
3	Farmers Branch	Urb./Exurb.	27,508	3	1.2	4
3	Farmersville	Rural	3,118	2.4	1.8	4
3	Fate	Rural	497	0.6	3	4
3	Ferris	Rural	2,175	0.6	1.8	2
3	Flower Mound	Urb./Exurb.	50,702	2.4	0.6	3
3	Forest Hill	Urb./Exurb.	12,949	3	3	6
3	Forney	Rural	5,588	0.6	1.8	2
3	Fort Worth	Urb./Exurb.	534,694	3	3	6
3	Frisco	Urb./Exurb.	33,714	2.4	1.8	4
3	Frost	Rural	648	0.6	3	4
3	Gainesville	Rural	15,538	0.6	3	4
3	Garland	Urb./Exurb.	215,768	3	1.8	5
3	Garrett	Rural	448	0.6	3	4
3	Glen Rose	Rural	2,122	0.6	2.4	3
3	Glenn Heights	Urb./Exurb.	7,224	3	1.8	5
3	Godley	Rural	879	0.6	3	4
3	Goodlow	Rural	264	0.6	1.8	2
3	Gordon	Rural	451	0.6	3	4
3	Graford	Rural	578	0.6	1.8	2
3	Granbury	Rural	5,718	0.6	2.4	3
3	Grand Prairie	Urb./Exurb.	127,427	3	2.4	5
3	Grandview	Rural	1,358	0.6	2.4	3
3	Grapevine	Urb./Exurb.	42,059	3	1.2	4
3	Grays Prairie	Rural	296	0.6	3	4
3	Greenville	Urb./Exurb.	23,960	0.6	3	4
3	Gunter	Rural	1,230	1.2	1.8	3
3	Hackberry	Urb./Exurb.	544	2.4	3	5
3	Haltom City	Urb./Exurb.	39,018	3	1.8	5
3	Haslet	Urb./Exurb.	1,134	3	1.2	4
3	Hawk Cove	Rural	457	0.6	0.6	1
3	Heath	Urb./Exurb.	4,149	0.6	0.6	1
3	Hebron	Urb./Exurb.	874	2.4	0.6	3
3	Hickory Creek	Urb./Exurb.	2,078	2.4	0.6	3
3	Highland Park	Urb./Exurb.	8,842	3	0.6	4
3	Highland Village	Urb./Exurb.	12,173	2.4	1.2	4
3	Honey Grove	Rural	1,746	0.6	2.4	3
3	Howe	Urb./Exurb.	2,478	1.2	2.4	4
3	Hudson Oaks	Rural	1,637	0.6	2.4	3
3	Hurst	Urb./Exurb.	36,273	3	1.8	5
3	Hutchins	Urb./Exurb.	2,805	3	2.4	5
3	Irving	Urb./Exurb.	191,615	3	1.8	5
3	Italy	Rural	1,993	0.6	1.2	2
3	Josephine	Rural	594	2.4	3	5
3	Joshua	Urb./Exurb.	4,528	0.6	1.8	2
3	Justin	Rural	1,891	2.4	1.8	4
3	Kaufman	Rural	6,490	0.6	2.4	3
3	Keene	Rural	5,003	0.6	1.8	2
3	Keller	Urb./Exurb.	27,345	3	1.2	4
3	Kemp	Rural	1,133	0.6	3	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
3	Kennedale	Urb./Exurb.	5,850	3	1.2	4
3	Kerens	Rural	1,681	0.6	3	4
3	Knollwood	Urb./Exurb.	375	1.2	3	4
3	Krugerville	Rural	903	2.4	3	5
3	Krum	Rural	1,979	2.4	0.6	3
3	Ladonia	Rural	667	0.6	2.4	3
3	Lake Bridgeport	Rural	372	0.6	1.2	2
3	Lake Dallas	Rural	6,166	2.4	1.2	4
3	Lake Kiowa	Rural	1,883	0.6	0.6	1
3	Lake Worth	Urb./Exurb.	4,618	3	1.8	5
3	Lakeside (Tarrant)	Urb./Exurb.	1,040	3	1.8	5
3	Lakewood Village	Rural	342	2.4	3	5
3	Lancaster	Urb./Exurb.	25,894	3	1.8	5
3	Lavon	Rural	387	2.4	0.6	3
3	Leonard	Rural	1,846	0.6	3	4
3	Lewisville	Urb./Exurb.	77,737	2.4	1.8	4
3	Lincoln Park	Rural	517	2.4	3	5
3	Lindsay (Cooke)	Rural	788	0.6	0.6	1
3	Lipan	Rural	425	0.6	0.6	1
3	Little Elm	Urb./Exurb.	3,646	2.4	2.4	5
3	Lone Oak	Rural	521	0.6	1.8	2
3	Lowry Crossing	Urb./Exurb.	1,229	2.4	1.8	4
3	Lucas	Urb./Exurb.	2,890	2.4	1.8	4
3	Mabank	Rural	2,151	0.6	2.4	3
3	Mansfield	Urb./Exurb.	28,031	3	1.2	4
3	Marshall Creek	Rural	431	2.4	3	5
3	Maypearl	Rural	746	0.6	1.8	2
3	McKinney	Urb./Exurb.	54,369	2.4	2.4	5
3	McLendon-Chisholm	Rural	914	0.6	3	4
3	Melissa	Urb./Exurb.	1,350	2.4	1.8	4
3	Mesquite	Urb./Exurb.	124,523	3	1.8	5
3	Midlothian	Urb./Exurb.	7,480	0.6	1.2	2
3	Mildred	Rural	405	0.6	3	4
3	Milford	Rural	685	0.6	2.4	3
3	Millsap	Rural	353	0.6	1.2	2
3	Mineral Wells	Rural	16,946	0.6	3	4
3	Mingus	Rural	246	0.6	3	4
3	Mobile City	Rural	196	0.6	0.6	1
3	Muenster	Rural	1,556	0.6	1.8	2
3	Murphy	Urb./Exurb.	3,099	2.4	1.2	4
3	Mustang	Rural	47	0.6	0.6	1
3	Navarro	Rural	191	0.6	0.6	1
3	Nevada	Rural	563	2.4	0.6	3
3	New Fairview	Rural	877	0.6	2.4	3
3	New Hope	Rural	662	2.4	0.6	3
3	Newark	Rural	887	0.6	3	4
3	Neylandville	Rural	56	0.6	0.6	1
3	North Richland Hills	Urb./Exurb.	55,635	3	1.2	4
3	Northlake	Urb./Exurb.	921	2.4	1.8	4
3	Oak Grove	Rural	710	0.6	2.4	3
3	Oak Leaf	Rural	1,209	0.6	3	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
3	Oak Point	Rural	1,747	2.4	1.2	4
3	Oak Ridge (Cooke)	Rural	224	0.6	2.4	3
3	Oak Ridge (Kaufman)	Rural	400	0.6	3	4
3	Oak Trail Shores	Rural	2,475	0.6	2.4	3
3	Oak Valley	Rural	401	0.6	1.8	2
3	Ovilla	Urb./Exurb.	3,405	0.6	1.8	2
3	Palmer	Rural	1,774	0.6	1.2	2
3	Pantego	Urb./Exurb.	2,318	3	0.6	4
3	Paradise	Rural	459	0.6	3	4
3	Parker	Urb./Exurb.	1,379	2.4	0.6	3
3	Pecan Acres	Rural	2,289	0.6	3	4
3	Pecan Hill	Rural	672	0.6	1.2	2
3	Pecan Plantation	Rural	3,544	0.6	1.2	2
3	Pelican Bay	Rural	1,505	3	3	6
3	Pilot Point	Rural	3,538	2.4	1.8	4
3	Plano	Urb./Exurb.	222,030	2.4	1.2	4
3	Ponder	Rural	507	2.4	1.2	4
3	Post Oak Bend City	Rural	404	0.6	1.8	2
3	Pottsboro	Rural	1,579	1.2	1.8	3
3	Powell	Rural	105	0.6	0.6	1
3	Princeton	Urb./Exurb.	3,477	2.4	1.8	4
3	Prosper	Urb./Exurb.	2,097	2.4	1.8	4
3	Quinlan	Rural	1,370	0.6	3	4
3	Ravenna	Rural	215	0.6	3	4
3	Red Oak	Urb./Exurb.	4,301	0.6	1.8	2
3	Rendon	Urb./Exurb.	9,022	3	1.2	4
3	Reno (Parker)	Rural	2,441	0.6	2.4	3
3	Retreat	Rural	339	0.6	1.2	2
3	Rhome	Rural	551	0.6	2.4	3
3	Rice	Rural	798	0.6	3	4
3	Richardson	Urb./Exurb.	91,802	3	1.8	5
3	Richland	Rural	291	0.6	3	4
3	Richland Hills	Urb./Exurb.	8,132	3	1.8	5
3	Rio Vista	Rural	656	0.6	1.8	2
3	River Oaks	Urb./Exurb.	6,985	3	2.4	5
3	Roanoke	Urb./Exurb.	2,810	2.4	1.2	4
3	Rockwall	Urb./Exurb.	17,976	0.6	1.2	2
3	Rosser	Rural	379	0.6	3	4
3	Rowlett	Urb./Exurb.	44,503	3	1.2	4
3	Royse City	Rural	2,957	0.6	1.8	2
3	Runaway Bay	Rural	1,104	0.6	1.8	2
3	Sachse	Urb./Exurb.	9,751	3	0.6	4
3	Sadler	Rural	404	1.2	3	4
3	Saginaw	Urb./Exurb.	12,374	3	1.8	5
3	Sanctuary	Rural	256	0.6	3	4
3	Sanger	Rural	4,534	2.4	1.2	4
3	Sansom Park	Urb./Exurb.	4,181	3	3	6
3	Savoy	Rural	850	0.6	1.8	2
3	Seagoville	Urb./Exurb.	10,823	3	1.8	5
3	Shady Shores	Urb./Exurb.	1,461	2.4	0.6	3
3	Sherman	Urb./Exurb.	35,082	1.2	2.4	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
3	Southlake	Urb./Exurb.	21,519	3	0.6	4
3	Southmayd	Rural	992	1.2	1.2	2
3	Springtown	Rural	2,062	0.6	3	4
3	St. Paul (Collin)	Rural	630	2.4	0.6	3
3	Stephenville	Rural	14,921	0.6	3	4
3	Strawn	Rural	739	0.6	2.4	3
3	Sunnyvale	Urb./Exurb.	2,693	3	0.6	4
3	Talty	Rural	1,028	0.6	0.6	1
3	Terrell	Rural	13,606	0.6	3	4
3	The Colony	Urb./Exurb.	26,531	2.4	0.6	3
3	Tioga	Rural	754	1.2	1.2	2
3	Tolar	Rural	504	0.6	1.2	2
3	Tom Bean	Rural	941	1.2	1.2	2
3	Trenton	Rural	662	0.6	2.4	3
3	Trophy Club	Urb./Exurb.	6,350	2.4	0.6	3
3	University Park	Urb./Exurb.	23,324	3	1.2	4
3	Valley View	Rural	737	0.6	1.8	2
3	Van Alstyne	Rural	2,502	1.2	1.2	2
3	Venus	Rural	910	0.6	1.8	2
3	Watauga	Urb./Exurb.	21,908	3	1.2	4
3	Waxahachie	Urb./Exurb.	21,426	0.6	2.4	3
3	Weatherford	Rural	19,000	0.6	2.4	3
3	West Tawakoni	Rural	1,462	0.6	3	4
3	Westlake	Urb./Exurb.	207	3	0.6	4
3	Westminster	Rural	390	2.4	0.6	3
3	Weston	Urb./Exurb.	635	2.4	1.2	4
3	Westover Hills	Urb./Exurb.	658	3	0.6	4
3	Westworth Village	Urb./Exurb.	2,124	3	1.2	4
3	White Settlement	Urb./Exurb.	14,831	3	3	6
3	Whitesboro	Rural	3,760	1.2	2.4	4
3	Whitewright	Rural	1,740	1.2	2.4	4
3	Willow Park	Rural	2,849	0.6	0.6	1
3	Wilmer	Rural	3,393	3	3	6
3	Windom	Rural	245	0.6	0.6	1
3	Wolfe City	Rural	1,566	0.6	3	4
3	Wylie	Rural	15,132	2.4	1.2	4
4	Alba	Rural	430	1.2	2.4	4
4	Alto	Rural	1,190	2.4	3	5
4	Annona	Rural	282	0.6	3	4
4	Arp	Rural	901	3	0.6	4
4	Athens	Rural	11,297	2.4	2.4	5
4	Atlanta	Rural	5,745	1.2	1.8	3
4	Avery	Rural	462	0.6	1.8	2
4	Avinger	Rural	464	1.2	3	4
4	Beckville	Rural	752	1.2	2.4	4
4	Berryville	Rural	891	2.4	1.8	4
4	Big Sandy	Rural	1,288	1.2	1.2	2
4	Bloomburg	Rural	375	1.2	1.2	2
4	Blossom	Rural	1,439	2.4	1.2	4
4	Bogata	Rural	1,396	0.6	1.2	2
4	Brownsboro	Rural	796	2.4	3	5

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
4	Bullard	Rural	1,150	3	1.2	4
4	Caney City	Rural	236	2.4	3	5
4	Canton	Rural	3,292	1.8	0.6	2
4	Carthage	Rural	6,664	1.2	1.2	2
4	Chandler	Rural	2,099	2.4	0.6	3
4	Clarksville	Rural	3,883	0.6	2.4	3
4	Clarksville City	Rural	806	3	1.2	4
4	Coffee City	Rural	193	2.4	0.6	3
4	Como	Rural	621	1.2	2.4	4
4	Cooper	Rural	2,150	0.6	2.4	3
4	Cumby	Rural	616	1.2	1.8	3
4	Cuney	Rural	145	2.4	3	5
4	Daingerfield	Rural	2,517	0.6	3	4
4	De Kalb	Rural	1,769	3	3	6
4	Deport	Rural	718	2.4	1.2	4
4	Detroit	Rural	776	0.6	2.4	3
4	Domino	Rural	52	1.2	0.6	2
4	Douglassville	Rural	175	1.2	0.6	2
4	East Mountain	Rural	580	1.2	1.2	2
4	East Tawakoni	Rural	775	0.6	2.4	3
4	Easton	Rural	524	3	1.8	5
4	Edgewood	Rural	1,348	1.8	1.8	4
4	Edom	Rural	322	1.8	1.8	4
4	Elkhart	Rural	1,215	1.8	2.4	4
4	Emory	Rural	1,021	0.6	1.8	2
4	Enchanted Oaks	Rural	357	2.4	3	5
4	Eustace	Rural	798	2.4	0.6	3
4	Frankston	Rural	1,209	1.8	1.2	3
4	Fruitvale	Rural	418	1.8	1.2	3
4	Gallatin	Rural	378	2.4	2.4	5
4	Gary City	Rural	303	1.2	0.6	2
4	Gilmer	Rural	4,799	1.2	2.4	4
4	Gladewater	Rural	6,078	3	2.4	5
4	Grand Saline	Rural	3,028	1.8	1.2	3
4	Gun Barrel City	Rural	5,145	2.4	1.2	4
4	Hallsville	Rural	2,772	2.4	0.6	3
4	Hawkins	Rural	1,331	1.2	2.4	4
4	Henderson	Rural	11,273	1.8	1.2	3
4	Hooks	Rural	2,973	3	1.8	5
4	Hughes Springs	Rural	1,856	1.2	1.8	3
4	Jacksonville	Rural	13,868	2.4	2.4	5
4	Jefferson	Rural	2,024	0.6	3	4
4	Kilgore	Rural	11,301	3	1.2	4
4	Lakeport	Rural	861	3	1.2	4
4	Leary	Rural	555	3	0.6	4
4	Liberty City	Rural	1,935	3	0.6	4
4	Lindale	Rural	2,954	3	1.2	4
4	Linden	Rural	2,256	1.2	1.2	2
4	Log Cabin	Rural	733	2.4	3	5
4	Lone Star	Rural	1,631	0.6	2.4	3
4	Longview	Urb./Exurb.	73,344	3	1.8	5

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State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
4	Malakoff	Rural	2,257	2.4	2.4	5
4	Marietta	Rural	112	1.2	0.6	2
4	Marshall	Urb./Exurb.	23,935	2.4	2.4	5
4	Maud	Rural	1,028	3	2.4	5
4	Miller's Cove	Rural	120	1.2	3	4
4	Mineola	Rural	4,550	1.2	1.8	3
4	Moore Station	Rural	184	2.4	3	5
4	Mount Enterprise	Rural	525	1.8	1.2	3
4	Mount Pleasant	Rural	13,935	1.2	2.4	4
4	Mount Vernon	Rural	2,286	0.6	1.8	2
4	Murchison	Rural	592	2.4	1.2	4
4	Naples	Rural	1,410	0.6	3	4
4	Nash	Urb./Exurb.	2,169	3	1.2	4
4	Nesbitt	Rural	302	2.4	0.6	3
4	New Boston	Rural	4,808	3	2.4	5
4	New Chapel Hill	Rural	553	3	0.6	4
4	New London	Rural	987	1.8	1.8	4
4	New Summerfield	Rural	998	2.4	2.4	5
4	Noonday	Rural	515	3	1.2	4
4	Omaha	Rural	999	0.6	3	4
4	Ore City	Rural	1,106	1.2	2.4	4
4	Overton	Rural	2,350	1.8	2.4	4
4	Palestine	Rural	17,598	1.8	2.4	4
4	Paris	Rural	25,898	2.4	2.4	5
4	Payne Springs	Rural	683	2.4	0.6	3
4	Pecan Gap	Rural	214	0.6	1.8	2
4	Pittsburg	Rural	4,347	0.6	2.4	3
4	Point	Rural	792	0.6	3	4
4	Poynor	Rural	314	2.4	2.4	5
4	Queen City	Rural	1,613	1.2	2.4	4
4	Quitman	Rural	2,030	1.2	1.2	2
4	Red Lick	Rural	853	3	1.2	4
4	Redwater	Rural	872	3	1.8	5
4	Reklaw	Rural	327	2.4	1.2	4
4	Reno (Lamar)	Rural	2,767	2.4	0.6	3
4	Rocky Mound	Rural	93	0.6	0.6	1
4	Roxton	Rural	694	2.4	2.4	5
4	Rusk	Rural	5,085	2.4	1.2	4
4	Scottsville	Rural	263	2.4	2.4	5
4	Seven Points	Rural	1,145	2.4	3	5
4	Star Harbor	Rural	416	2.4	0.6	3
4	Sulphur Springs	Rural	14,551	1.2	1.8	3
4	Sun Valley	Rural	51	2.4	0.6	3
4	Talco	Rural	570	1.2	3	4
4	Tatum	Rural	1,175	1.8	2.4	4
4	Texarkana	Urb./Exurb.	34,782	3	2.4	5
4	Tira	Rural	248	1.2	0.6	2
4	Toco	Rural	89	2.4	3	5
4	Tool	Rural	2,275	2.4	0.6	3
4	Trinidad	Rural	1,091	2.4	1.8	4
4	Troup	Rural	1,949	3	1.8	5

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
4	Tyler	Urb./Exurb.	83,650	3	1.8	5
4	Uncertain	Rural	150	2.4	1.8	4
4	Union Grove	Rural	346	1.2	1.2	2
4	Van	Rural	2,362	1.8	1.8	4
4	Wake Village	Urb./Exurb.	5,129	3	1.2	4
4	Warren City	Rural	343	3	2.4	5
4	Waskom	Rural	2,068	2.4	1.8	4
4	Wells	Rural	769	2.4	2.4	5
4	White Oak	Urb./Exurb.	5,624	3	1.2	4
4	Whitehouse	Rural	5,346	3	0.6	4
4	Wills Point	Rural	3,496	1.8	1.2	3
4	Winfield	Rural	499	1.2	1.8	3
4	Winnsboro	Rural	3,584	1.2	1.2	2
4	Winona	Rural	582	3	0.6	4
4	Yantis	Rural	321	1.2	1.2	2
5	Appleby	Rural	444	3	1.2	4
5	Beaumont	Urb./Exurb.	113,866	3	2.4	5
5	Bevil Oaks	Rural	1,346	3	0.6	4
5	Bridge City	Rural	8,651	3	1.2	4
5	Broaddus	Rural	189	0.6	3	4
5	Browndell	Rural	219	1.2	0.6	2
5	Buna	Rural	2,269	1.2	0.6	2
5	Burke	Rural	315	3	3	6
5	Center	Rural	5,678	0.6	2.4	3
5	Central Gardens	Rural	4,106	3	0.6	4
5	Chester	Rural	265	0.6	0.6	1
5	China	Rural	1,112	3	1.2	4
5	Chireno	Rural	405	3	2.4	5
5	Coldspring	Rural	691	0.6	1.8	2
5	Colmesneil	Rural	638	0.6	1.8	2
5	Corrigan	Rural	1,721	1.2	3	4
5	Crockett	Rural	7,141	0.6	3	4
5	Cushing	Rural	637	3	1.8	5
5	Deweyville	Rural	1,190	0.6	1.8	2
5	Diboll	Rural	5,470	3	1.8	5
5	Evadale	Rural	1,430	1.2	1.2	2
5	Garrison	Rural	844	3	1.8	5
5	Goodrich	Rural	243	1.2	1.8	3
5	Grapeland	Rural	1,451	0.6	2.4	3
5	Groves	Urb./Exurb.	15,733	3	0.6	4
5	Groveton	Rural	1,107	0.6	3	4
5	Hemphill	Rural	1,106	0.6	1.8	2
5	Hudson	Rural	3,792	3	1.2	4
5	Huntington	Rural	2,068	3	2.4	5
5	Huxley	Rural	298	0.6	0.6	1
5	Jasper	Rural	8,247	1.2	3	4
5	Joaquin	Rural	925	0.6	2.4	3
5	Kennard	Rural	317	0.6	3	4
5	Kirbyville	Rural	2,085	1.2	2.4	4
5	Kountze	Rural	2,115	1.2	2.4	4
5	Latexo	Rural	272	0.6	1.2	2

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5	Livingston	Rural	5,433	1.2	2.4	4
5	Lovelady	Rural	608	0.6	2.4	3
5	Lufkin	Rural	32,709	3	2.4	5
5	Lumberton	Rural	8,731	1.2	0.6	2
5	Mauriceville	Rural	2,743	3	1.8	5
5	Milam	Rural	1,329	0.6	0.6	1
5	Nacogdoches	Rural	29,914	3	3	6
5	Nederland	Urb./Exurb.	17,422	3	1.2	4
5	Newton	Rural	2,459	0.6	3	4
5	Nome	Rural	515	3	3	6
5	Oakhurst	Rural	230	0.6	1.8	2
5	Onalaska	Rural	1,174	1.2	3	4
5	Orange	Rural	18,643	3	2.4	5
5	Pine Forest	Rural	632	3	1.2	4
5	Pinehurst (Orange)	Rural	2,274	3	1.2	4
5	Pineland	Rural	980	0.6	2.4	3
5	Pinewood Estates	Rural	1,633	1.2	0.6	2
5	Point Blank	Rural	559	0.6	1.8	2
5	Port Arthur	Urb./Exurb.	57,755	3	2.4	5
5	Port Neches	Urb./Exurb.	13,601	3	0.6	4
5	Rose City	Rural	519	3	1.8	5
5	Rose Hill Acres	Urb./Exurb.	480	1.2	3	4
5	San Augustine	Rural	2,475	0.6	1.8	2
5	Seven Oaks	Rural	131	1.2	0.6	2
5	Shepherd	Rural	2,029	0.6	1.8	2
5	Silsbee	Rural	6,393	1.2	1.8	3
5	Sour Lake	Rural	1,667	1.2	1.2	2
5	South Toledo Bend	Rural	576	0.6	0.6	1
5	Tenaha	Rural	1,046	0.6	3	4
5	Timpson	Rural	1,094	0.6	3	4
5	Trinity	Rural	2,721	0.6	2.4	3
5	Vidor	Rural	11,440	3	1.2	4
5	West Livingston	Rural	6,612	1.2	1.2	2
5	West Orange	Rural	4,111	3	1.2	4
5	Woodville	Rural	2,415	0.6	2.4	3
5	Zavalla	Rural	647	3	3	6
6	Aldine	Urb./Exurb.	13,979	3	2.4	5
6	Alvin	Urb./Exurb.	21,413	0.6	2.4	3
6	Ames	Rural	1,079	0.6	3	4
6	Anahuac	Rural	2,210	0.6	2.4	3
6	Angleton	Rural	18,130	0.6	1.8	2
6	Arcola	Rural	1,048	0.6	3	4
6	Atascocita	Urb./Exurb.	35,757	3	1.2	4
6	Bacliff	Urb./Exurb.	6,962	1.2	3	4
6	Bailey's Prairie	Rural	694	0.6	0.6	1
6	Barrett	Rural	2,872	3	3	6
6	Bay City	Rural	18,667	0.6	3	4
6	Bayou Vista	Rural	1,644	1.2	0.6	2
6	Baytown	Urb./Exurb.	66,430	3	2.4	5
6	Beach City	Urb./Exurb.	1,645	0.6	0.6	1
6	Beasley	Rural	590	0.6	2.4	3

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
6	Bellaire	Urb./Exurb.	15,642	3	0.6	4
6	Bellville	Rural	3,794	0.6	1.2	2
6	Blessing	Rural	861	0.6	1.8	2
6	Boling-Iago	Rural	1,271	0.6	1.8	2
6	Bolivar Peninsula	Rural	3,853	1.2	2.4	4
6	Bonney	Rural	384	0.6	0.6	1
6	Brazoria	Rural	2,787	0.6	2.4	3
6	Brookshire	Rural	3,450	0.6	3	4
6	Brookside Village	Urb./Exurb.	1,960	0.6	2.4	3
6	Bunker Hill Village	Urb./Exurb.	3,654	3	2.4	5
6	Channelview	Urb./Exurb.	29,685	3	2.4	5
6	Cinco Ranch	Urb./Exurb.	11,196	0.6	1.2	2
6	Clear Lake Shores	Urb./Exurb.	1,205	1.2	0.6	2
6	Cleveland	Rural	7,605	0.6	3	4
6	Cloverleaf	Urb./Exurb.	23,508	3	3	6
6	Clute	Urb./Exurb.	10,424	0.6	2.4	3
6	Columbus	Rural	3,916	0.6	1.8	2
6	Conroe	Urb./Exurb.	36,811	1.2	3	4
6	Cove	Rural	323	0.6	2.4	3
6	Crosby	Rural	1,714	3	1.8	5
6	Cumings	Urb./Exurb.	683	0.6	2.4	3
6	Cut and Shoot	Urb./Exurb.	1,158	1.2	1.8	3
6	Daisetta	Rural	1,034	0.6	2.4	3
6	Damon	Rural	535	0.6	3	4
6	Danbury	Rural	1,611	0.6	1.8	2
6	Dayton	Rural	5,709	0.6	3	4
6	Dayton Lakes	Rural	101	0.6	3	4
6	Deer Park	Urb./Exurb.	28,520	3	1.2	4
6	Devers	Rural	416	0.6	3	4
6	Dickinson	Urb./Exurb.	17,093	1.2	2.4	4
6	Eagle Lake	Rural	3,664	0.6	2.4	3
6	East Bernard	Rural	1,729	0.6	1.8	2
6	El Campo	Rural	10,945	0.6	3	4
6	El Lago	Urb./Exurb.	3,075	3	0.6	4
6	Fairchilds	Rural	678	0.6	0.6	1
6	Fifth Street	Urb./Exurb.	2,059	0.6	3	4
6	Four Corners	Urb./Exurb.	2,954	0.6	2.4	3
6	Freeport	Urb./Exurb.	12,708	0.6	3	4
6	Fresno	Urb./Exurb.	6,603	0.6	3	4
6	Friendswood	Urb./Exurb.	29,037	1.2	1.2	2
6	Fulshear	Rural	716	0.6	3	4
6	Galena Park	Urb./Exurb.	10,592	3	3	6
6	Galveston	Urb./Exurb.	57,247	1.2	3	4
6	Greatwood	Urb./Exurb.	6,640	0.6	1.2	2
6	Hardin	Rural	755	0.6	1.2	2
6	Hedwig Village	Urb./Exurb.	2,334	3	1.2	4
6	Hempstead	Rural	4,691	0.6	3	4
6	Highlands	Urb./Exurb.	7,089	3	1.2	4
6	Hillcrest	Urb./Exurb.	722	0.6	1.8	2
6	Hilshire Village	Urb./Exurb.	720	3	3	6
6	Hitchcock	Urb./Exurb.	6,386	1.2	3	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
6	Holiday Lakes	Rural	1,095	0.6	3	4
6	Houston	Urb./Exurb.	1,953,631	3	3	6
6	Humble	Urb./Exurb.	14,579	3	2.4	5
6	Hungerford	Rural	645	0.6	0.6	1
6	Hunters Creek Village	Urb./Exurb.	4,374	3	0.6	4
6	Huntsville	Rural	35,078	0.6	3	4
6	Industry	Rural	304	0.6	1.2	2
6	Iowa Colony	Urb./Exurb.	804	0.6	2.4	3
6	Jacinto City	Urb./Exurb.	10,302	3	2.4	5
6	Jamaica Beach	Urb./Exurb.	1,075	1.2	3	4
6	Jersey Village	Urb./Exurb.	6,880	3	0.6	4
6	Jones Creek	Rural	2,130	0.6	1.8	2
6	Katy	Urb./Exurb.	11,775	3	1.8	5
6	Kemah	Urb./Exurb.	2,330	1.2	2.4	4
6	Kendleton	Rural	466	0.6	1.8	2
6	Kenefick	Rural	667	0.6	1.2	2
6	La Marque	Urb./Exurb.	13,682	1.2	3	4
6	La Porte	Urb./Exurb.	31,880	3	1.2	4
6	Lake Jackson	Urb./Exurb.	26,386	0.6	1.8	2
6	League City	Urb./Exurb.	45,444	1.2	1.2	2
6	Liberty	Rural	8,033	0.6	2.4	3
6	Liverpool	Rural	404	0.6	2.4	3
6	Louise	Rural	977	0.6	1.8	2
6	Magnolia	Rural	1,111	1.2	1.8	3
6	Manvel	Urb./Exurb.	3,046	0.6	0.6	1
6	Markham	Rural	1,138	0.6	0.6	1
6	Meadows Place	Urb./Exurb.	4,912	0.6	1.2	2
6	Mission Bend	Urb./Exurb.	30,831	0.6	1.2	2
6	Missouri City	Urb./Exurb.	52,913	0.6	1.2	2
6	Mont Belvieu	Rural	2,324	0.6	1.2	2
6	Montgomery	Rural	489	1.2	3	4
6	Morgan's Point	Urb./Exurb.	336	3	0.6	4
6	Nassau Bay	Urb./Exurb.	4,170	3	1.8	5
6	Needville	Rural	2,609	0.6	1.2	2
6	New Territory	Urb./Exurb.	13,861	0.6	0.6	1
6	New Waverly	Rural	950	0.6	3	4
6	North Cleveland	Rural	263	0.6	1.2	2
6	Oak Ridge North	Urb./Exurb.	2,991	1.2	1.2	2
6	Old River-Winfree	Rural	1,364	0.6	1.8	2
6	Orchard	Rural	408	0.6	0.6	1
6	Oyster Creek	Rural	1,192	0.6	3	4
6	Palacios	Rural	5,153	0.6	3	4
6	Panorama Village	Urb./Exurb.	1,965	1.2	1.2	2
6	Pasadena	Urb./Exurb.	141,674	3	3	6
6	Pattison	Rural	447	0.6	1.8	2
6	Patton Village	Rural	1,391	1.2	3	4
6	Pearland	Urb./Exurb.	37,640	0.6	1.8	2
6	Pecan Grove	Rural	13,551	0.6	0.6	1
6	Pine Island	Rural	849	0.6	1.8	2
6	Pinehurst (Montgomery)	Rural	4,266	1.2	1.2	2
6	Piney Point Village	Urb./Exurb.	3,380	3	0.6	4

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6	Pleak	Rural	947	0.6	2.4	3
6	Plum Grove	Rural	930	0.6	1.2	2
6	Porter Heights	Rural	1,490	1.2	0.6	2
6	Prairie View	Rural	4,410	0.6	3	4
6	Quintana	Rural	38	0.6	1.2	2
6	Richmond	Urb./Exurb.	11,081	0.6	3	4
6	Richwood	Urb./Exurb.	3,012	0.6	1.8	2
6	Riverside	Rural	425	0.6	3	4
6	Roman Forest	Rural	1,279	1.2	0.6	2
6	Rosenberg	Urb./Exurb.	24,043	0.6	3	4
6	San Felipe	Rural	868	0.6	2.4	3
6	San Leon	Urb./Exurb.	4,365	1.2	3	4
6	Santa Fe	Urb./Exurb.	9,548	1.2	1.2	2
6	Seabrook	Urb./Exurb.	9,443	3	0.6	4
6	Sealy	Rural	5,248	0.6	1.8	2
6	Sheldon	Rural	1,831	3	1.2	4
6	Shenandoah	Urb./Exurb.	1,503	1.2	1.2	2
6	Shoreacres	Urb./Exurb.	1,488	3	2.4	5
6	Sienna Plantation	Urb./Exurb.	1,896	0.6	1.8	2
6	Simonton	Rural	718	0.6	1.8	2
6	South Houston	Urb./Exurb.	15,833	3	3	6
6	Southside Place	Urb./Exurb.	1,546	3	1.8	5
6	Splendora	Rural	1,275	1.2	3	4
6	Spring	Urb./Exurb.	36,385	3	1.2	4
6	Spring Valley	Urb./Exurb.	3,611	3	0.6	4
6	Stafford	Urb./Exurb.	15,681	0.6	1.8	2
6	Stagecoach	Rural	455	1.2	0.6	2
6	Stowell	Rural	1,572	0.6	1.8	2
6	Sugar Land	Urb./Exurb.	63,328	0.6	1.2	2
6	Surfside Beach	Rural	763	0.6	1.8	2
6	Sweeny	Rural	3,624	0.6	1.2	2
6	Taylor Lake Village	Urb./Exurb.	3,694	3	0.6	4
6	Texas City	Urb./Exurb.	41,521	1.2	3	4
6	The Woodlands	Urb./Exurb.	55,649	1.2	1.8	3
6	Thompsons	Urb./Exurb.	236	0.6	2.4	3
6	Tiki Island	Urb./Exurb.	1,016	1.2	0.6	2
6	Tomball	Rural	9,089	3	1.8	5
6	Van Vleck	Rural	1,411	0.6	0.6	1
6	Waller	Rural	2,092	0.6	3	4
6	Wallis	Rural	1,172	0.6	1.2	2
6	Webster	Urb./Exurb.	9,083	3	1.8	5
6	Weimar	Rural	1,981	0.6	1.8	2
6	West Columbia	Rural	4,255	0.6	3	4
6	West University Place	Urb./Exurb.	14,211	3	0.6	4
6	Wharton	Rural	9,237	0.6	3	4
6	Wild Peach Village	Rural	2,498	0.6	0.6	1
6	Willis	Rural	3,985	1.2	3	4
6	Winnie	Rural	2,914	0.6	1.8	2
6	Woodbranch	Rural	1,305	1.2	1.2	2
6	Woodloch	Rural	247	1.2	1.8	3
7	Anderson Mill	Urb./Exurb.	8,953	1.8	1.8	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
7	Austin	Urb./Exurb.	656,562	3	3	6
7	Bartlett	Rural	1,675	1.8	3	5
7	Barton Creek	Urb./Exurb.	1,589	3	1.8	5
7	Bastrop	Rural	5,340	1.2	1.8	3
7	Bear Creek	Rural	360	1.8	0.6	2
7	Bee Cave	Rural	656	3	1.2	4
7	Bertram	Rural	1,122	0.6	1.8	2
7	Blanco	Rural	1,505	0.6	2.4	3
7	Briarcliff	Rural	895	3	1.2	4
7	Brushy Creek	Urb./Exurb.	15,371	1.8	1.2	3
7	Buchanan Dam	Rural	1,688	0.6	1.8	2
7	Buda	Urb./Exurb.	2,404	1.8	0.6	2
7	Burnet	Rural	4,735	0.6	2.4	3
7	Camp Swift	Rural	4,731	1.2	0.6	2
7	Carmine	Rural	228	0.6	3	4
7	Cedar Park	Urb./Exurb.	26,049	1.8	1.8	4
7	Circle D-KC Estates	Rural	2,010	1.2	0.6	2
7	Cottonwood Shores	Rural	877	0.6	2.4	3
7	Creedmoor	Rural	211	3	0.6	4
7	Dripping Springs	Rural	1,548	1.8	2.4	4
7	Elgin	Rural	5,700	1.2	3	4
7	Fayetteville	Rural	261	0.6	1.8	2
7	Flatonia	Rural	1,377	0.6	3	4
7	Florence	Rural	1,054	1.8	3	5
7	Garfield	Rural	1,660	3	1.8	5
7	Georgetown	Urb./Exurb.	28,339	1.8	1.8	4
7	Giddings	Rural	5,105	0.6	1.8	2
7	Granger	Rural	1,299	1.8	2.4	4
7	Granite Shoals	Rural	2,040	0.6	3	4
7	Hays	Rural	233	1.8	0.6	2
7	Highland Haven	Rural	450	0.6	3	4
7	Horseshoe Bay	Rural	3,337	0.6	1.2	2
7	Hudson Bend	Urb./Exurb.	2,369	3	1.2	4
7	Hutto	Rural	1,250	1.8	1.2	3
7	Johnson City	Rural	1,191	0.6	1.8	2
7	Jollyville	Urb./Exurb.	15,813	1.8	1.2	3
7	Jonestown	Rural	1,681	3	2.4	5
7	Kingsland	Rural	4,584	0.6	2.4	3
7	Kyle	Rural	5,314	1.8	2.4	4
7	La Grange	Rural	4,478	0.6	2.4	3
7	Lago Vista	Rural	4,507	3	2.4	5
7	Lakeway	Rural	8,002	3	1.2	4
7	Leander	Urb./Exurb.	7,596	1.8	1.8	4
7	Lexington	Rural	1,178	0.6	2.4	3
7	Liberty Hill	Rural	1,409	1.8	1.2	3
7	Llano	Rural	3,325	0.6	2.4	3
7	Lockhart	Rural	11,615	0.6	2.4	3
7	Lost Creek	Urb./Exurb.	4,729	3	0.6	4
7	Luling	Rural	5,080	0.6	3	4
7	Manor	Urb./Exurb.	1,204	3	2.4	5
7	Marble Falls	Rural	4,959	0.6	3	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
7	Martindale	Rural	953	0.6	3	4
7	Meadowlakes	Rural	1,293	0.6	1.8	2
7	Mountain City	Rural	671	1.8	3	5
7	Mustang Ridge	Rural	785	0.6	1.2	2
7	Niederwald	Rural	584	1.8	1.2	3
7	Onion Creek	Urb./Exurb.	2,116	3	0.6	4
7	Pflugerville	Urb./Exurb.	16,335	3	1.2	4
7	Rollingwood	Urb./Exurb.	1,403	3	1.2	4
7	Round Mountain	Rural	111	0.6	0.6	1
7	Round Rock	Urb./Exurb.	61,136	1.8	1.8	4
7	Round Top	Rural	77	0.6	0.6	1
7	San Leanna	Urb./Exurb.	384	3	3	6
7	San Marcos	Urb./Exurb.	34,733	1.8	3	5
7	Schulenburg	Rural	2,699	0.6	2.4	3
7	Serenada	Urb./Exurb.	1,847	1.8	3	5
7	Shady Hollow	Urb./Exurb.	5,140	3	0.6	4
7	Smithville	Rural	3,901	1.2	3	4
7	Sunrise Beach Village	Rural	704	0.6	1.8	2
7	Sunset Valley	Urb./Exurb.	365	3	1.8	5
7	Taylor	Rural	13,575	1.8	2.4	4
7	The Hills	Rural	1,492	3	0.6	4
7	Thrall	Rural	710	1.8	3	5
7	Uhland	Rural	386	1.8	3	5
7	Weir	Rural	591	1.8	1.2	3
7	Wells Branch	Urb./Exurb.	11,271	3	1.2	4
7	West Lake Hills	Urb./Exurb.	3,116	3	0.6	4
7	Wimberley	Rural	3,797	1.8	1.2	3
7	Windemere	Urb./Exurb.	6,868	3	1.8	5
7	Woodcreek	Rural	1,274	1.8	1.8	4
7	Wyldwood	Rural	2,310	1.2	0.6	2
8	Abbott	Rural	300	1.2	1.2	2
8	Anderson	Rural	257	1.2	0.6	2
8	Aquilla	Rural	136	1.2	1.8	3
8	Bellmead	Urb./Exurb.	9,214	3	1.8	5
8	Belton	Urb./Exurb.	14,623	3	1.8	5
8	Beverly Hills	Urb./Exurb.	2,113	3	1.8	5
8	Blum	Rural	399	1.2	2.4	4
8	Bremond	Rural	876	1.2	1.8	3
8	Brenham	Rural	13,507	1.2	2.4	4
8	Bruceville-Eddy	Rural	1,490	3	1.2	4
8	Bryan	Urb./Exurb.	65,660	3	3	6
8	Buckholts	Rural	387	1.2	3	4
8	Buffalo	Rural	1,804	0.6	3	4
8	Burton	Rural	359	1.2	1.2	2
8	Bynum	Rural	225	1.2	3	4
8	Caldwell	Rural	3,449	0.6	1.8	2
8	Calvert	Rural	1,426	1.2	3	4
8	Cameron	Rural	5,634	1.2	2.4	4
8	Carl's Corner	Rural	134	1.2	1.8	3
8	Centerville	Rural	903	0.6	1.8	2
8	Clifton	Rural	3,542	0.6	1.2	2

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
8	College Station	Urb./Exurb.	67,890	3	3	6
8	Coolidge	Rural	848	1.2	2.4	4
8	Copperas Cove	Urb./Exurb.	29,592	1.8	1.2	3
8	Covington	Rural	282	1.2	0.6	2
8	Cranfills Gap	Rural	335	0.6	1.8	2
8	Crawford	Rural	705	3	0.6	4
8	Evant	Rural	393	1.8	3	5
8	Fairfield	Rural	3,094	0.6	1.8	2
8	Fort Hood	Urb./Exurb.	33,711	3	0.6	4
8	Franklin	Rural	1,470	1.2	1.8	3
8	Gatesville	Rural	15,591	1.8	1.2	3
8	Gholson	Rural	922	3	0.6	4
8	Goldthwaite	Rural	1,802	0.6	1.8	2
8	Golinda	Rural	423	1.2	1.2	2
8	Groesbeck	Rural	4,291	1.2	2.4	4
8	Hallsburg	Rural	518	3	1.2	4
8	Hamilton	Rural	2,977	0.6	1.8	2
8	Harker Heights	Urb./Exurb.	17,308	3	1.2	4
8	Hearne	Rural	4,690	1.2	3	4
8	Hewitt	Urb./Exurb.	11,085	3	0.6	4
8	Hico	Rural	1,341	0.6	1.8	2
8	Hillsboro	Rural	8,232	1.2	3	4
8	Holland	Rural	1,102	3	3	6
8	Hubbard	Rural	1,586	1.2	2.4	4
8	Iredell	Rural	360	0.6	2.4	3
8	Itasca	Rural	1,503	1.2	1.8	3
8	Jewett	Rural	861	0.6	3	4
8	Kempner	Rural	1,004	0.6	1.2	2
8	Killeen	Urb./Exurb.	86,911	3	1.8	5
8	Kirvin	Rural	122	0.6	0.6	1
8	Kosse	Rural	497	1.2	3	4
8	Lacy-Lakeview	Urb./Exurb.	5,764	3	1.8	5
8	Lampasas	Rural	6,786	0.6	2.4	3
8	Leona	Rural	181	0.6	2.4	3
8	Leroy	Rural	335	3	0.6	4
8	Little River-Academy	Rural	1,645	3	1.8	5
8	Lometa	Rural	782	0.6	2.4	3
8	Lorena	Rural	1,433	3	0.6	4
8	Lott	Rural	724	1.2	3	4
8	Madisonville	Rural	4,159	0.6	1.8	2
8	Malone	Rural	278	1.2	1.8	3
8	Marlin	Rural	6,628	1.2	3	4
8	Marquez	Rural	220	0.6	3	4
8	Mart	Rural	2,273	3	2.4	5
8	McGregor	Urb./Exurb.	4,727	3	1.8	5
8	Meridian	Rural	1,491	0.6	1.8	2
8	Mertens	Rural	146	1.2	3	4
8	Mexia	Rural	6,563	1.2	2.4	4
8	Midway	Rural	288	0.6	0.6	1
8	Milano	Rural	400	1.2	1.8	3
8	Millican	Rural	108	3	0.6	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
8	Moody	Rural	1,400	3	2.4	5
8	Morgan	Rural	485	0.6	1.8	2
8	Morgan's Point Resort	Rural	2,989	3	0.6	4
8	Mount Calm	Rural	310	1.2	1.2	2
8	Mullin	Rural	175	0.6	3	4
8	Navasota	Rural	6,789	1.2	2.4	4
8	Nolanville	Rural	2,150	3	1.8	5
8	Normangee	Rural	719	0.6	1.8	2
8	Oakwood	Rural	471	0.6	1.8	2
8	Oglesby	Rural	458	1.8	2.4	4
8	Penelope	Rural	211	1.2	3	4
8	Richland Springs	Rural	350	0.6	0.6	1
8	Riesel	Rural	973	3	3	6
8	Robinson	Urb./Exurb.	7,845	3	0.6	4
8	Rockdale	Rural	5,439	1.2	2.4	4
8	Rogers	Rural	1,117	3	1.8	5
8	Rosebud	Rural	1,493	1.2	2.4	4
8	Ross	Rural	228	3	0.6	4
8	Salado	Rural	3,475	3	0.6	4
8	San Saba	Rural	2,637	0.6	2.4	3
8	Snook	Rural	568	0.6	2.4	3
8	Somerville	Rural	1,704	0.6	2.4	3
8	South Mountain	Rural	412	1.8	1.2	3
8	Streetman	Rural	203	0.6	0.6	1
8	Teague	Rural	4,557	0.6	1.2	2
8	Tehuacana	Rural	307	1.2	1.2	2
8	Temple	Urb./Exurb.	54,514	3	1.8	5
8	Thorndale	Rural	1,278	1.2	1.2	2
8	Thornton	Rural	525	1.2	2.4	4
8	Todd Mission	Rural	146	1.2	0.6	2
8	Troy	Rural	1,378	3	1.8	5
8	Valley Mills	Rural	1,123	0.6	0.6	1
8	Waco	Urb./Exurb.	113,726	3	3	6
8	Walnut Springs	Rural	755	0.6	2.4	3
8	West	Rural	2,692	3	1.8	5
8	Whitney	Rural	1,833	1.2	2.4	4
8	Wixon Valley	Rural	235	3	2.4	5
8	Woodway	Urb./Exurb.	8,733	3	0.6	4
8	Wortham	Rural	1,082	0.6	2.4	3
9	Alamo Heights	Urb./Exurb.	7,319	3	1.2	4
9	Balcones Heights	Urb./Exurb.	3,016	3	3	6
9	Bandera	Rural	957	0.6	1.8	2
9	Bigfoot	Rural	304	0.6	1.2	2
9	Boerne	Rural	6,178	0.6	2.4	3
9	Bulverde	Rural	3,761	0.6	0.6	1
9	Canyon Lake	Rural	16,870	0.6	1.2	2
9	Castle Hills	Urb./Exurb.	4,202	3	1.8	5
9	Castroville	Rural	2,664	0.6	1.2	2
9	Charlotte	Rural	1,637	0.6	2.4	3
9	China Grove	Rural	1,247	3	0.6	4
9	Christine	Rural	436	0.6	3	4

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9	Cibolo	Rural	3,035	0.6	1.8	2
9	Comfort	Rural	2,358	0.6	3	4
9	Converse	Urb./Exurb.	11,508	3	1.2	4
9	Cross Mountain	Urb./Exurb.	1,524	3	0.6	4
9	Devine	Rural	4,140	0.6	2.4	3
9	Dilley	Rural	3,674	0.6	3	4
9	Elmendorf	Rural	664	3	3	6
9	Fair Oaks Ranch	Urb./Exurb.	4,695	3	1.2	4
9	Falls City	Rural	591	0.6	1.8	2
9	Floresville	Rural	5,868	0.6	2.4	3
9	Fredericksburg	Rural	8,911	0.6	1.8	2
9	Garden Ridge	Rural	1,882	0.6	1.8	2
9	Geronimo	Urb./Exurb.	619	0.6	0.6	1
9	Grey Forest	Rural	418	3	1.2	4
9	Harper	Rural	1,006	0.6	1.8	2
9	Helotes	Urb./Exurb.	4,285	3	0.6	4
9	Hill Country Village	Urb./Exurb.	1,028	3	0.6	4
9	Hilltop	Rural	300	0.6	3	4
9	Hollywood Park	Urb./Exurb.	2,983	3	3	6
9	Hondo	Rural	7,897	0.6	2.4	3
9	Ingram	Rural	1,740	0.6	1.8	2
9	Jourdanton	Rural	3,732	0.6	2.4	3
9	Karnes City	Rural	3,457	0.6	2.4	3
9	Kenedy	Rural	3,487	0.6	2.4	3
9	Kerrville	Rural	20,425	0.6	2.4	3
9	Kingsbury	Rural	652	0.6	0.6	1
9	Kirby	Urb./Exurb.	8,673	3	1.8	5
9	La Vernia	Rural	931	0.6	2.4	3
9	Lackland AFB	Urb./Exurb.	7,123	3	0.6	4
9	LaCoste	Rural	1,255	0.6	1.8	2
9	Lakehills	Rural	4,668	0.6	2.4	3
9	Leon Valley	Urb./Exurb.	9,239	3	1.8	5
9	Live Oak	Urb./Exurb.	9,156	3	1.2	4
9	Lytle	Rural	2,383	0.6	1.8	2
9	Marion	Rural	1,099	0.6	1.8	2
9	McQueeney	Urb./Exurb.	2,527	0.6	0.6	1
9	Moore	Rural	644	0.6	1.2	2
9	Natalia	Rural	1,663	0.6	3	4
9	New Berlin	Rural	467	0.6	0.6	1
9	New Braunfels	Urb./Exurb.	36,494	0.6	1.8	2
9	North Pearsall	Rural	561	0.6	1.2	2
9	Northcliff	Rural	1,819	0.6	1.2	2
9	Olmos Park	Urb./Exurb.	2,343	3	0.6	4
9	Pearsall	Rural	7,157	0.6	3	4
9	Pleasanton	Rural	8,266	0.6	3	4
9	Poteet	Rural	3,305	0.6	3	4
9	Poth	Rural	1,850	0.6	2.4	3
9	Redwood	Rural	3,586	0.6	2.4	3
9	Runge	Rural	1,080	0.6	3	4
9	San Antonio	Urb./Exurb.	1,144,646	3	2.4	5
9	Santa Clara	Rural	889	0.6	3	4

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
9	Scenic Oaks	Urb./Exurb.	3,279	3	0.6	4
9	Schertz	Urb./Exurb.	18,694	0.6	1.2	2
9	Seguin	Urb./Exurb.	22,011	0.6	2.4	3
9	Selma	Urb./Exurb.	788	3	1.8	5
9	Shavano Park	Urb./Exurb.	1,754	3	0.6	4
9	Somerset	Rural	1,550	3	3	6
9	St. Hedwig	Rural	1,875	3	1.8	5
9	Stockdale	Rural	1,398	0.6	1.8	2
9	Stonewall	Rural	469	0.6	1.8	2
9	Terrell Hills	Urb./Exurb.	5,019	3	1.2	4
9	Timberwood Park	Urb./Exurb.	5,889	3	0.6	4
9	Universal City	Rural	14,849	3	1.2	4
9	West Pearsall	Rural	349	0.6	3	4
9	Windcrest	Urb./Exurb.	5,105	3	1.8	5
9	Zuehl	Rural	346	0.6	0.6	1
10	Agua Dulce (Nueces)	Rural	737	3	2.4	5
10	Airport Road Addition	Rural	132	1.2	2.4	4
10	Alfred-South La Paloma	Rural	451	1.8	0.6	2
10	Alice	Rural	19,010	1.8	1.8	4
10	Alice Acres	Rural	491	1.8	1.2	3
10	Aransas Pass	Rural	8,138	2.4	1.8	4
10	Austwell	Rural	192	0.6	2.4	3
10	Bayside	Rural	360	0.6	3	4
10	Beeville	Rural	13,129	1.8	2.4	4
10	Benavides	Rural	1,686	1.2	2.4	4
10	Bishop	Rural	3,305	3	1.2	4
10	Bloomington	Rural	2,562	2.4	2.4	5
10	Blue Berry Hill	Rural	982	1.8	3	5
10	Cantu Addition	Rural	217	1.2	1.2	2
10	Concepcion	Rural	61	1.2	0.6	2
10	Corpus Christi	Urb./Exurb.	277,454	3	1.8	5
10	Coyote Acres	Rural	389	1.8	3	5
10	Cuero	Rural	6,571	1.2	2.4	4
10	Del Sol-Loma Linda	Rural	726	2.4	1.2	4
10	Doyle	Urb./Exurb.	285	2.4	0.6	3
10	Driscoll	Rural	825	3	1.8	5
10	Edgewater-Paisano	Rural	182	2.4	3	5
10	Edna	Rural	5,899	0.6	1.8	2
10	Edroy	Rural	420	2.4	0.6	3
10	Encino	Rural	177	1.2	0.6	2
10	Falfurrias	Rural	5,297	1.2	3	4
10	Falman-County Acres	Rural	289	2.4	3	5
10	Flowella	Rural	134	1.2	3	4
10	Freer	Rural	3,241	1.2	1.8	3
10	Fulton	Rural	1,553	1.2	1.2	2
10	Ganado	Rural	1,915	0.6	1.2	2
10	George West	Rural	2,524	0.6	0.6	1
10	Goliad	Rural	1,975	0.6	1.8	2
10	Gonzales	Rural	7,202	1.2	1.8	3
10	Gregory	Rural	2,318	2.4	1.8	4
10	Hallettsville	Rural	2,345	1.2	1.2	2

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
10	Inez	Rural	1,787	2.4	0.6	3
10	Ingleside	Urb./Exurb.	9,388	2.4	1.2	4
10	Ingleside on the Bay	Urb./Exurb.	659	2.4	1.8	4
10	K-Bar Ranch	Rural	350	1.8	3	5
10	Kingsville	Rural	25,575	2.4	2.4	5
10	La Paloma-Lost Creek	Rural	323	3	3	6
10	La Ward	Rural	200	0.6	1.2	2
10	Lake City	Rural	526	2.4	0.6	3
10	Lakeshore Gardens-Hidden Acres	Rural	720	2.4	0.6	3
10	Lakeside (San Patricio)	Rural	333	2.4	1.8	4
10	Lolita	Rural	548	0.6	0.6	1
10	Loma Linda East	Rural	214	1.8	1.2	3
10	Mathis	Rural	5,034	2.4	3	5
10	Morgan Farm Area	Rural	484	2.4	2.4	5
10	Moulton	Rural	944	1.2	1.2	2
10	Nixon	Rural	2,186	1.2	2.4	4
10	Nordheim	Rural	323	1.2	0.6	2
10	Normanna	Rural	121	1.8	0.6	2
10	North San Pedro	Rural	920	3	1.8	5
10	Odem	Rural	2,499	2.4	1.8	4
10	Orange Grove	Rural	1,288	1.8	1.8	4
10	Owl Ranch-Amargosa	Rural	527	1.8	3	5
10	Pawnee	Rural	201	1.8	1.8	4
10	Pernitas Point	Rural	269	0.6	1.8	2
10	Petronila	Rural	83	3	0.6	4
10	Pettus	Rural	608	1.8	1.2	3
10	Point Comfort	Rural	781	1.2	1.2	2
10	Port Aransas	Urb./Exurb.	3,370	3	1.2	4
10	Port Lavaca	Rural	12,035	1.2	1.8	3
10	Portland	Urb./Exurb.	14,827	2.4	0.6	3
10	Premont	Rural	2,772	1.8	3	5
10	Rancho Alegre	Rural	1,775	1.8	3	5
10	Rancho Banquete	Rural	469	3	1.2	4
10	Rancho Chico	Rural	309	2.4	3	5
10	Realitos	Rural	209	1.2	2.4	4
10	Refugio	Rural	2,941	0.6	1.2	2
10	Robstown	Rural	12,727	3	3	6
10	Rockport	Rural	7,385	1.2	1.2	2
10	San Diego	Rural	4,753	1.2	2.4	4
10	San Patricio	Rural	318	2.4	3	5
10	Sandia	Rural	431	1.8	0.6	2
10	Sandy Hollow-Escondidas	Rural	433	3	1.2	4
10	Seadrift	Rural	1,352	1.2	2.4	4
10	Shiner	Rural	2,070	1.2	1.2	2
10	Sinton	Rural	5,676	2.4	2.4	5
10	Skidmore	Rural	1,013	1.8	2.4	4
10	Smiley	Rural	453	1.2	2.4	4
10	Spring Garden-Terra Verde	Rural	693	3	3	6
10	St. Paul (San Patricio)	Rural	542	2.4	0.6	3
10	Taft	Rural	3,396	2.4	2.4	5
10	Taft Southwest	Rural	1,721	2.4	2.4	5

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
10	Three Rivers	Rural	1,878	0.6	1.8	2
10	Tierra Grande	Rural	362	3	3	6
10	Tradewinds	Rural	163	2.4	3	5
10	Tuleta	Rural	292	1.8	0.6	2
10	Tulsita	Rural	20	1.8	3	5
10	Tynan	Rural	301	1.8	3	5
10	Vanderbilt	Rural	411	0.6	0.6	1
10	Victoria	Urb./Exurb.	60,603	2.4	1.2	4
10	Waelder	Rural	947	1.2	1.8	3
10	Westdale	Rural	295	1.8	1.8	4
10	Woodsboro	Rural	1,685	0.6	1.8	2
10	Yoakum	Rural	5,731	1.2	1.8	3
10	Yorktown	Rural	2,271	1.2	1.8	3
11	Abram-Perezville	Rural	5,444	3	2.4	5
11	Alamo	Urb./Exurb.	14,760	3	1.2	4
11	Alto Bonito	Rural	569	1.8	1.8	4
11	Alton	Rural	4,384	3	2.4	5
11	Alton North	Rural	5,051	3	3	6
11	Arroyo Alto	Rural	320	3	2.4	5
11	Arroyo Colorado Estates	Rural	755	3	2.4	5
11	Arroyo Gardens-La Tina Ranch	Rural	732	3	0.6	4
11	Asherton	Rural	1,342	1.2	1.8	3
11	Batesville	Rural	1,298	1.2	2.4	4
11	Bausell and Ellis	Rural	112	1.2	1.2	2
11	Bayview	Rural	323	3	0.6	4
11	Big Wells	Rural	704	1.2	2.4	4
11	Bixby	Rural	356	3	0.6	4
11	Bluetown-Iglesia Antigua	Rural	692	3	2.4	5
11	Botines	Rural	132	2.4	3	5
11	Box Canyon-Amistad	Rural	76	1.8	0.6	2
11	Brackettville	Rural	1,876	0.6	1.8	2
11	Brownsville	Urb./Exurb.	139,722	3	1.8	5
11	Brundage	Rural	31	1.2	3	4
11	Bruni	Rural	412	2.4	0.6	3
11	Cameron Park	Urb./Exurb.	5,961	3	3	6
11	Camp Wood	Rural	822	0.6	1.8	2
11	Carrizo Hill	Rural	548	1.2	3	4
11	Carrizo Springs	Rural	5,655	1.2	1.8	3
11	Catarina	Rural	135	1.2	0.6	2
11	Cesar Chavez	Urb./Exurb.	1,469	3	1.8	5
11	Chula Vista-Orason	Rural	394	3	3	6
11	Chula Vista-River Spur	Rural	400	1.2	1.2	2
11	Cienegas Terrace	Rural	2,878	1.8	3	5
11	Citrus City	Rural	941	3	1.2	4
11	Combes	Urb./Exurb.	2,553	3	0.6	4
11	Cotulla	Rural	3,614	0.6	1.2	2
11	Crystal City	Rural	7,190	1.2	2.4	4
11	Cuevitas	Rural	37	3	3	6
11	Del Mar Heights	Rural	259	3	2.4	5
11	Del Rio	Rural	33,867	1.8	1.2	3
11	Doffing	Rural	4,256	3	2.4	5

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11	Donna	Rural	14,768	3	2.4	5
11	Doolittle	Urb./Exurb.	2,358	3	1.2	4
11	Eagle Pass	Rural	22,413	1.8	1.8	4
11	Edcouch	Rural	3,342	3	2.4	5
11	Edinburg	Urb./Exurb.	48,465	3	1.2	4
11	Eidson Road	Rural	9,348	1.8	1.8	4
11	El Camino Angosto	Urb./Exurb.	254	3	1.8	5
11	El Cenizo	Rural	3,545	2.4	3	5
11	El Indio	Rural	263	1.8	1.8	4
11	El Refugio	Rural	221	1.8	3	5
11	Elm Creek	Rural	1,928	1.8	1.2	3
11	Elsa	Rural	5,549	3	2.4	5
11	Encantada-Ranchito El Calaboz	Rural	2,100	3	1.2	4
11	Encinal	Rural	629	0.6	2.4	3
11	Escobares	Rural	1,954	1.8	2.4	4
11	Falcon Heights	Rural	335	1.8	2.4	4
11	Falcon Lake Estates	Rural	830	1.2	0.6	2
11	Falcon Mesa	Rural	506	1.2	0.6	2
11	Falcon Village	Rural	78	1.8	0.6	2
11	Faysville	Urb./Exurb.	348	3	1.2	4
11	Fowlerton	Rural	62	0.6	0.6	1
11	Fronton	Rural	599	1.8	1.2	3
11	Garceno	Rural	1,438	1.8	3	5
11	Grand Acres	Rural	203	3	0.6	4
11	Granjeno	Urb./Exurb.	313	3	2.4	5
11	Green Valley Farms	Rural	720	3	3	6
11	Guerra	Rural	8	0.6	0.6	1
11	Harlingen	Urb./Exurb.	57,564	3	1.2	4
11	Havana	Rural	452	3	1.8	5
11	Hebbronville	Rural	4,498	0.6	1.2	2
11	Heidelberg	Rural	1,586	3	2.4	5
11	Hidalgo	Rural	7,322	3	2.4	5
11	Indian Hills	Rural	2,036	3	3	6
11	Indian Lake	Rural	541	3	1.8	5
11	Knippa	Rural	739	1.8	0.6	2
11	La Blanca	Rural	2,351	3	2.4	5
11	La Casita-Garciasville	Rural	2,177	1.8	3	5
11	La Feria	Rural	6,115	3	1.8	5
11	La Feria North	Rural	168	3	3	6
11	La Grulla	Rural	1,211	1.8	1.8	4
11	La Homa	Urb./Exurb.	10,433	3	3	6
11	La Joya	Rural	3,303	3	2.4	5
11	La Paloma	Rural	354	3	3	6
11	La Presa	Rural	508	2.4	1.2	4
11	La Pryor	Rural	1,491	1.2	2.4	4
11	La Puerta	Rural	1,636	1.8	1.8	4
11	La Rosita	Rural	1,729	1.8	3	5
11	La Victoria	Rural	1,683	1.8	1.8	4
11	La Villa	Rural	1,305	3	2.4	5
11	Lago	Rural	246	3	3	6
11	Laguna Heights	Rural	1,990	3	2.4	5

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11	Laguna Seca	Rural	251	3	0.6	4
11	Laguna Vista	Rural	1,658	3	0.6	4
11	Lake View	Rural	167	1.8	0.6	2
11	Laredo	Urb./Exurb.	176,576	2.4	1.8	4
11	Laredo Ranchettes	Rural	1,845	2.4	1.8	4
11	Larga Vista	Urb./Exurb.	742	2.4	3	5
11	Las Colonias	Rural	283	1.2	3	4
11	Las Lomas	Rural	2,684	1.8	3	5
11	Las Lomitas	Rural	267	0.6	2.4	3
11	Las Palmas-Juarez	Rural	1,666	3	1.8	5
11	Las Quintas Fronterizas	Rural	2,030	1.8	1.8	4
11	Lasana	Urb./Exurb.	135	3	0.6	4
11	Lasara	Rural	1,024	1.2	1.8	3
11	Laughlin AFB	Rural	2,225	1.8	0.6	2
11	Laureles	Rural	3,285	3	2.4	5
11	Leakey	Rural	387	0.6	1.2	2
11	Llano Grande	Urb./Exurb.	3,333	3	2.4	5
11	Lopeno	Rural	140	1.2	3	4
11	Lopezville	Urb./Exurb.	4,476	3	2.4	5
11	Los Alvarez	Rural	1,434	1.8	1.2	3
11	Los Angeles Subdivision	Rural	86	1.2	3	4
11	Los Ebanos	Rural	403	3	3	6
11	Los Fresnos	Rural	4,512	3	1.2	4
11	Los Indios	Rural	1,149	3	1.8	5
11	Los Villareales	Rural	930	1.8	1.2	3
11	Lozano	Rural	324	3	0.6	4
11	Lyford	Rural	1,973	1.2	1.8	3
11	Lyford South	Rural	172	1.2	3	4
11	McAllen	Urb./Exurb.	106,414	3	1.2	4
11	Medina	Rural	2,960	1.2	2.4	4
11	Mercedes	Rural	13,649	3	2.4	5
11	Midway North	Urb./Exurb.	3,946	3	1.2	4
11	Midway South	Urb./Exurb.	1,711	3	2.4	5
11	Mila Doce	Rural	4,907	3	3	6
11	Mirando City	Rural	493	2.4	2.4	5
11	Mission	Urb./Exurb.	45,408	3	1.2	4
11	Monte Alto	Rural	1,611	3	1.8	5
11	Morales-Sanchez	Rural	95	1.2	0.6	2
11	Muniz	Rural	1,106	3	3	6
11	New Falcon	Rural	184	1.2	3	4
11	North Alamo	Urb./Exurb.	2,061	3	2.4	5
11	North Escobares	Rural	1,692	1.8	3	5
11	Nurillo	Urb./Exurb.	5,056	3	2.4	5
11	Oilton	Rural	310	2.4	0.6	3
11	Olivarez	Rural	2,445	3	2.4	5
11	Olmito	Urb./Exurb.	1,198	3	3	6
11	Palm Valley	Urb./Exurb.	1,298	3	0.6	4
11	Palmhurst	Urb./Exurb.	4,872	3	1.8	5
11	Palmview	Urb./Exurb.	4,107	3	1.2	4
11	Palmview South	Urb./Exurb.	6,219	3	2.4	5
11	Penitas	Rural	1,167	3	1.8	5

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
11	Pharr	Urb./Exurb.	46,660	3	1.8	5
11	Port Isabel	Rural	4,865	3	1.2	4
11	Port Mansfield	Rural	415	1.2	0.6	2
11	Primera	Urb./Exurb.	2,723	3	1.2	4
11	Progreso	Rural	4,851	3	2.4	5
11	Progreso Lakes	Rural	234	3	0.6	4
11	Quemado	Rural	243	1.8	1.8	4
11	Radar Base	Rural	162	1.8	2.4	4
11	Ranchette Estates	Rural	133	1.2	1.8	3
11	Ranchitos Las Lomas	Rural	334	2.4	1.8	4
11	Rancho Viejo	Urb./Exurb.	1,754	3	0.6	4
11	Ranchos Penitas West	Urb./Exurb.	520	2.4	0.6	3
11	Rangerville	Rural	203	3	1.8	5
11	Ratamosa	Rural	218	3	0.6	4
11	Raymondville	Rural	9,733	1.2	1.2	2
11	Reid Hope King	Urb./Exurb.	802	3	3	6
11	Relampago	Rural	104	3	1.8	5
11	Rio Bravo	Urb./Exurb.	5,553	2.4	2.4	5
11	Rio Grande City	Rural	11,923	1.8	2.4	4
11	Rio Hondo	Rural	1,942	3	1.2	4
11	Rocksprings	Rural	1,285	0.6	1.8	2
11	Roma	Rural	9,617	1.8	3	5
11	Roma Creek	Rural	610	1.8	3	5
11	Rosita North	Rural	3,400	1.8	2.4	4
11	Rosita South	Rural	2,574	1.8	2.4	4
11	Sabinal	Rural	1,586	1.8	1.8	4
11	Salineno	Rural	304	1.8	0.6	2
11	San Benito	Urb./Exurb.	23,444	3	1.8	5
11	San Carlos	Rural	2,650	3	3	6
11	San Ignacio	Rural	853	1.2	2.4	4
11	San Isidro	Rural	270	1.8	2.4	4
11	San Juan	Urb./Exurb.	26,229	3	1.8	5
11	San Manuel-Linn	Rural	958	3	0.6	4
11	San Pedro	Rural	668	3	0.6	4
11	San Perlita	Rural	680	1.2	3	4
11	Santa Cruz	Rural	630	1.8	3	5
11	Santa Maria	Rural	846	3	2.4	5
11	Santa Monica	Rural	78	1.2	1.2	2
11	Santa Rosa	Rural	2,833	3	2.4	5
11	Scissors	Rural	2,805	3	2.4	5
11	Sebastian	Rural	1,864	1.2	0.6	2
11	Siesta Shores	Rural	890	1.2	0.6	2
11	Solis	Rural	545	3	0.6	4
11	South Alamo	Rural	3,101	3	3	6
11	South Fork Estates	Rural	47	0.6	0.6	1
11	South Padre Island	Rural	2,422	3	0.6	4
11	South Point	Rural	1,118	3	3	6
11	Spofford	Rural	75	0.6	0.6	1
11	Sullivan City	Rural	3,998	3	2.4	5
11	Tierra Bonita	Rural	160	3	0.6	4
11	Utopia	Rural	241	1.8	1.2	3

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11	Uvalde	Rural	14,929	1.8	1.8	4
11	Uvalde Estates	Rural	1,972	1.8	1.8	4
11	Val Verde Park	Rural	1,945	1.8	1.2	3
11	Villa del Sol	Rural	132	3	1.8	5
11	Villa Pancho	Urb./Exurb.	386	3	3	6
11	Villa Verde	Urb./Exurb.	891	3	2.4	5
11	Weslaco	Urb./Exurb.	26,935	3	1.8	5
11	West Sharyland	Rural	2,947	3	1.2	4
11	Willamar	Rural	15	1.2	0.6	2
11	Yznaga	Rural	103	3	0.6	4
11	Zapata	Rural	4,856	1.2	2.4	4
11	Zapata Ranch	Rural	88	1.2	0.6	2
12	Ackerly	Rural	245	1.8	1.8	4
12	Andrews	Rural	9,652	1.8	1.2	3
12	Balmorhea	Rural	527	1.8	3	5
12	Barstow	Rural	406	1.8	3	5
12	Big Lake	Rural	2,885	0.6	1.2	2
12	Big Spring	Rural	25,233	2.4	2.4	5
12	Brady	Rural	5,523	1.8	2.4	4
12	Bronte	Rural	1,076	1.2	2.4	4
12	Christoval	Rural	422	3	2.4	5
12	Coahoma	Rural	932	2.4	0.6	3
12	Coyanosa	Rural	138	1.8	3	5
12	Crane	Rural	3,191	1.2	1.2	2
12	Eden	Rural	2,561	0.6	1.2	2
12	Eldorado	Rural	1,951	1.2	1.8	3
12	Forsan	Rural	226	2.4	1.2	4
12	Fort Stockton	Rural	7,846	1.8	1.8	4
12	Gardendale	Rural	1,197	3	0.6	4
12	Goldsmith	Rural	253	3	0.6	4
12	Grandfalls	Rural	391	1.8	2.4	4
12	Grape Creek	Rural	3,138	3	1.2	4
12	Imperial	Rural	428	1.8	1.2	3
12	Iraan	Rural	1,238	1.8	0.6	2
12	Junction	Rural	2,618	1.2	2.4	4
12	Kermit	Rural	5,714	1.2	1.2	2
12	Lamesa	Rural	9,952	1.8	2.4	4
12	Lindsay (Reeves)	Rural	394	1.8	2.4	4
12	Los Ybanez	Rural	32	1.8	3	5
12	Mason	Rural	2,134	1.2	1.8	3
12	McCamey	Rural	1,805	1.2	2.4	4
12	Melvin	Rural	155	1.8	3	5
12	Menard	Rural	1,653	0.6	3	4
12	Mertzon	Rural	839	0.6	0.6	1
12	Midland	Urb./Exurb.	94,996	3	1.2	4
12	Monahans	Rural	6,821	1.8	1.8	4
12	Odessa	Urb./Exurb.	90,943	3	2.4	5
12	Ozona	Rural	3,436	1.2	2.4	4
12	Paint Rock	Rural	320	0.6	2.4	3
12	Pecos	Rural	9,501	1.8	2.4	4
12	Pyote	Rural	131	1.8	0.6	2

State Service Region	Place Name	Geography Type	Population	County Need/ Region Need Points	Place Need/ Place Population Points	AHNS
12	Rankin	Rural	800	1.2	0.6	2
12	Robert Lee	Rural	1,171	1.2	2.4	4
12	San Angelo	Urb./Exurb.	88,439	3	1.8	5
12	Sanderson	Rural	861	0.6	3	4
12	Seagraves	Rural	2,334	1.8	3	5
12	Seminole	Rural	5,910	1.8	1.2	3
12	Sonora	Rural	2,924	1.2	1.2	2
12	Stanton	Rural	2,556	1.2	2.4	4
12	Sterling City	Rural	1,081	0.6	1.2	2
12	Thorntonville	Rural	442	1.8	0.6	2
12	Toyah	Rural	100	1.8	3	5
12	West Odessa	Urb./Exurb.	17,799	3	1.8	5
12	Wickett	Rural	455	1.8	3	5
12	Wink	Rural	919	1.2	0.6	2
13	Agua Dulce (El Paso)	Rural	738	3	1.2	4
13	Alpine	Rural	5,786	0.6	1.8	2
13	Anthony	Urb./Exurb.	3,850	3	1.8	5
13	Butterfield	Rural	61	3	1.2	4
13	Canutillo	Urb./Exurb.	5,129	3	2.4	5
13	Clint	Rural	980	3	1.8	5
13	Dell City	Rural	413	0.6	2.4	3
13	El Paso	Urb./Exurb.	563,662	3	1.8	5
13	Fabens	Rural	8,043	3	3	6
13	Fort Bliss	Urb./Exurb.	8,264	3	0.6	4
13	Fort Davis	Rural	1,050	0.6	1.2	2
13	Fort Hancock	Rural	1,713	0.6	3	4
13	Homestead Meadows North	Rural	4,232	3	1.8	5
13	Homestead Meadows South	Rural	6,807	3	1.8	5
13	Horizon City	Rural	5,233	3	0.6	4
13	Marathon	Rural	455	0.6	1.2	2
13	Marfa	Rural	2,121	0.6	1.8	2
13	Morning Glory	Rural	627	3	0.6	4
13	Prado Verde	Urb./Exurb.	200	3	0.6	4
13	Presidio	Rural	4,167	0.6	2.4	3
13	Redford	Rural	132	0.6	3	4
13	San Elizario	Urb./Exurb.	11,046	3	2.4	5
13	Sierra Blanca	Rural	533	0.6	1.2	2
13	Socorro	Urb./Exurb.	27,152	3	2.4	5
13	Sparks	Rural	2,974	3	2.4	5
13	Study Butte-Terlingua	Rural	267	0.6	1.2	2
13	Tornillo	Rural	1,609	3	2.4	5
13	Valentine	Rural	187	0.6	0.6	1
13	Van Horn	Rural	2,435	0.6	1.8	2
13	Vinton	Rural	1,892	3	2.4	5
13	Westway	Urb./Exurb.	3,829	3	2.4	5

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION REQUEST
September 9, 2004

Action Item

Presentation of the Proposed Methodology for the 2005 TDHCA Regional Allocation Formula (RAF)

Required Action

Review and comment on the proposed 2005 Regional Allocation Formula methodology. This formula is part of the *State Low Income Housing Plan and Annual Report* (SLIHP) which will be released for public comment following the September Board Meeting. Because of the complexities of the formula and the significant impact on the HOME, Housing Tax Credit (HTC), and Housing Trust Fund (HTF) programs' annual activities, this item is discussed separately from the SLIHP.

Background

Section 2306.111(d) of the Government Code requires that TDHCA use a Regional Allocation Formula (RAF) to allocate its HOME, HTC, and HTF program funding. The resulting RAF objectively measures the affordable housing need and available resources in the 13 State Service Regions it uses for planning purposes. Additionally, the RAF allocates funding to rural and urban/exurban areas within each region. As a dynamic measure of need, the formula is updated annually to reflect more up-to-date demographic and available resource information; respond to public comment on the formula; and include other factors as required to better assess regional affordable housing needs. Slightly modified versions of the RAF are used for the HOME and HTF/HTC programs because the programs have different eligible activities, households, and geographical areas. The formula is submitted annually for public comment and the final version is published in the SLIHP.

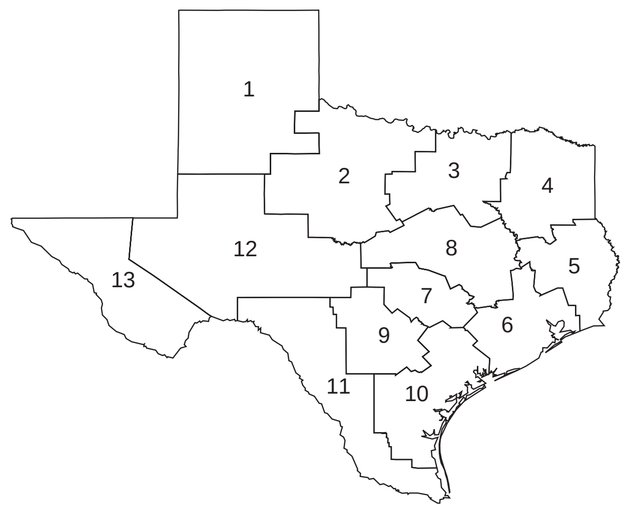

Figure 1. State Service Regions

Proposed RAF Methodology for 2005

Considering Affordable Housing Need
The first part of the RAF determines how the program funding would be distributed based solely on objective measures of each region's share of the State's affordable housing need. The four following 2000 US Census need measures are used to calculate this regional distribution of need.

- **Poverty**: Number of persons in the region who live in poverty.
- **Cost Burden**: Units with a monthly gross rent or mortgage payment to monthly household income ratio that exceeds 30 percent.
- **Overcrowded Units**: Units with more than one person per room.
- **Units with Incomplete Kitchen or Plumbing**: Units that do not have all of the following: a sink with piped water; a range or cook top and oven; refrigerator, hot and cold piped water, a flush toilet, and a bathtub or shower.

Because the need measures used in the RAF reflect the three funding sources' eligible households and activities, the data follows these guidelines.

- Except for the poverty data, the data sets relate to households at or below 80% of the Area Median Family Income (AMFI).
- Since the HTC/HTF formula primarily affects rental development activities, the HTC/HTF formula data relates specifically to renter households. Poverty data is the exception as only information on all households is available. Since the HOME program supports renter and owner activities, data for all households (renter and owner) is used in the HOME formula. Because 95% of HOME funds must be expended in non-participating jurisdictions (PJ), only non PJ data is included in the HOME formula.

Each need measure is weighted to reflect its perceived relevance in assessing affordable housing need. Because of the significant number of persons in poverty and its value as an overall measure of need, half the formula weight is associated with this measure. The other half of the measure weight is proportionately allocated based on the relative size of the remaining measures. As each measure's relative number of impacted persons or households does not vary significantly within the renter only and renter and owner data sets, renter and owner data is used to assign both formulas' measure weight percentages. The population size of each measure is provided below in *Table 1. Relative Size of the Measure Populations*. The resulting measure weights are: poverty = 50 percent, cost burden = 36 percent, overcrowding = 12 percent, and substandard housing = 2 percent.

Table 1. Size of the Measure Populations

Poverty	Renter Cost Burden	Renter Overcrowding	Incomplete Kitchen or Plumbing
3,117,609	1,263,817	435,309	58,065

The total funding the RAF will distribute is multiplied by each measure's weight to determine how much of the need based funding distribution is tied to that measure. Each measure's associated funding amount is then regionally distributed based on the regional dispersal of its affected persons or households. The resulting distributions are then combined to provide each region's need based funding amount. This amount will then be adjusted to consider the regional availability of available housing resources.

Considering Available Housing Resources

Section 2306.111(d) of the Government Code requires the RAF to consider available housing resources in the region. In theory, if the measure of regional housing need is accurate, then the regional distribution of available housing resources should reflect the observed housing need distribution. Therefore, a **resource funding adjustment** increases or decreases each region's need based funding amount to address regional resource and need mismatches.

Because the available resources used in the RAF reflect the three funding sources' eligible households and activities, the data follows these guidelines.

- HTC and HTF formula only uses sources of rental funding.
- HOME formula uses sources of rental and owner funding.
- HOME formula only considers resources in non–PJs.

The following resources are used in the HOME and HTC/HTF RAFs.

- HUD Emergency Shelter Grant Funds (ESG) (TDHCA & PJ)
- HUD HOME Funds (TDHCA & PJ)
- HUD Housing for Persons with AIDS (HOPWA) Funding
- HUD Section 8 Tenant-Based Rental Assistance (TDHCA & Public Housing Authorities (PHA))
- HUD PHA Capital Funds
- United States Department of Agriculture (USDA) Multifamily Development Funding[1]

[1] These resources do not include transactions that represent only a reauthorization of funds or a loan transfer that does not actually provide additional new or rehabilitation funding. USDA lists such transactions as new funding activity.

- USDA Rental Assistance
- Multifamily Housing Tax Credits (9% and 4% associated with tax-exempt bond financing)[2]
- Multifamily Tax-Exempt Bond Financing (Texas Bond Review Board)[3]

The HOME RAF also includes the following two sources of owner funding.
- USDA 502 and 504 Loans and Grants
- Single Family Bond Financing (TDHCA and Housing Finance Corporations)

Considering Rural and Exurban/Urban Need
Section 2306.111(d) of the Government Code requires the RAF to consider "rural and urban/exurban" areas in its distribution of program funding. TDHCA has determined that "urban/exurban" is a single category. The RAF uses the following rural and urban/exurban definitions.

Rural
1. A place that is outside the boundaries of a metropolitan statistical area (MSA);
2. or within the boundaries of a MSA, if the place has a population of 20,000 or less and does not share a boundary with a place that has a population greater than 20,000.

Urban/Exurban
1. Any place that does not satisfy the Rural place definition;
2. or an area located outside the boundaries of a place and in a census tract that has a population density greater than 1,200[4] people per square mile.

To equitably allocate funding to these areas, the rural and urban/exurban distribution of need and resources is compared at the regional level. As was done to determine the regional funding amount, resource funding adjustments are made to address observed rural and urban/exurban resource and need distribution differences.

[2] The value of the HTCs is an estimate of the capital raised through the sale of the credits.
[3] The value of the bonds has been reduced to 20 percent of the total bond amount. This 20 percent adjustment is an estimate of the value of the bonds over an equivalent market-rate loan that was developed by the TDHCA Real Estate Analysis Division and the TDHCA Center for Housing Research, Planning, and Communications. The HTCs associated with these bonds are valued at their full estimated syndicated value.
[4] 1,200 persons per square mile is approximately equal to the average population density of urban categorized places with a population less than 100,000.

Resulting RAF Funding Distribution

The table below shows the allocation of funds to the 13 State Service Regions (shown in Figure 1) and the corresponding rural and urban/exurban distribution within each region. *It should be noted that final available resource data can not be obtained until the end of the third quarter of 2004. The RAF funding distributions shown below are estimates and are subject to change.*

Housing Tax Credit Regional, Rural, and Urban/Exurban Funding Amounts

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban/ Exurban Funding Amount	Urban/ Exurban Funding %
1	Lubbock	$2,033,015	5.1%	$961,425	47.3%	$1,071,590	52.7%
2	Abilene	$1,098,122	2.7%	$459,789	41.9%	$638,333	58.1%
3	Dallas/Fort Worth	$7,130,518	17.8%	$375,680	5.3%	$6,754,839	94.7%
4	Tyler	$2,062,051	5.2%	$1,335,636	64.8%	$726,415	35.2%
5	Beaumont	$1,187,919	3.0%	$723,384	60.9%	$464,535	39.1%
6	Houston	$7,887,113	19.7%	$348,674	4.4%	$7,538,440	95.6%
7	Austin/Round Rock	$2,804,062	7.0%	$201,526	7.2%	$2,602,536	92.8%
8	Waco	$2,338,134	5.8%	$584,951	25.0%	$1,753,183	75.0%
9	San Antonio	$2,926,934	7.3%	$319,580	10.9%	$2,607,354	89.1%
10	Corpus Christi	$1,817,750	4.5%	$1,002,772	55.2%	$814,979	44.8%
11	Brownsville/Harlingen	$5,462,493	13.7%	$2,527,506	46.3%	$2,934,986	53.7%
12	San Angelo	$1,222,987	3.1%	$493,807	40.4%	$729,180	59.6%
13	El Paso	$2,028,901	5.1%	$151,411	7.5%	$1,877,490	92.5%
	Total	$40,000,000	100.0%	$9,486,141	23.7%	$30,513,859	76.3%

HOME Rural, and Urban/Exurban Funding Amounts

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban/ Exurban Funding Amount	Urban/ Exurban Funding %
1	Lubbock	$1,767,925	6.8%	$1,767,925	100.0%	$-	0.0%
2	Abilene	$1,151,940	4.4%	$1,122,600	97.5%	$29,340	2.5%
3	Dallas/Fort Worth	$4,406,261	16.9%	$1,161,861	26.4%	$3,244,400	73.6%
4	Tyler	$3,511,142	13.5%	$2,810,286	80.0%	$700,856	20.0%
5	Beaumont	$2,238,492	8.6%	$1,894,225	84.6%	$344,268	15.4%
6	Houston	$1,980,034	7.6%	$531,129	26.8%	$1,448,905	73.2%
7	Austin/Round Rock	$1,280,262	4.9%	$613,223	47.9%	$667,040	52.1%
8	Waco	$1,670,666	6.4%	$1,258,461	75.3%	$412,204	24.7%
9	San Antonio	$1,103,229	4.2%	$843,871	76.5%	$259,358	23.5%
10	Corpus Christi	$1,335,499	5.1%	$1,106,694	82.9%	$228,805	17.1%
11	Brownsville/Harlingen	$3,366,231	12.9%	$2,559,291	76.0%	$806,940	24.0%
12	San Angelo	$1,372,754	5.3%	$1,038,945	75.7%	$333,809	24.3%
13	El Paso	$815,565	3.1%	$417,059	51.1%	$398,506	48.9%
	Total	$26,000,000	100.0%	$17,125,568	65.9%	$8,874,432	34.1%

Housing Trust Fund Rural, and Urban/Exurban Funding Amounts[5]

Region	Place for Geographical Reference	Regional Funding Amount	Regional Funding %	Rural Funding Amount	Rural Funding %	Urban/ Exurban Funding Amount	Urban/ Exurban Funding %
1	Lubbock		5.1%				
2	Abilene		2.7%				
3	Dallas/Fort Worth		17.8%				
4	Tyler		5.2%				
5	Beaumont		3.0%				
6	Houston		19.7%				
7	Austin/Round Rock		7.0%				
8	Waco		5.8%				
9	San Antonio		7.3%				
10	Corpus Christi		4.5%				
11	Brownsville/Harlingen		13.7%				
12	San Angelo		3.1%				
13	El Paso		5.1%				
	Total		100.0%				

Summary of Proposed Changes from the 2004 RAF Formula
The following items describe significant changes between the final 2004 RAF and the Proposed 2005 RAF.

Consideration of Affordable Housing Need

- The Census need data has been updated to better reflect the programs' eligible household income levels. With the exception of the poverty numbers, last year's need data applied to all income levels. In the past year, the US Census Bureau, working in conjunction with HUD, released the Comprehensive Housing Affordability Strategy (CHAS) data set that provides housing problem data at various income levels. This data allows the RAF to focus on households at or below 80 percent of the Area Median Family Income. The data also combines the separate substandard plumbing and substandard kitchen factors into a single measure of need.
- With the release of the CHAS data, the measure weights were reevaluated to reflect the new numbers and the combined substandard plumbing and kitchen measure. The previous measure weights were: poverty = 50 percent, cost burden = 35 percent, overcrowding = 7.5 percent, substandard plumbing = 7.5 percent, and substandard kitchen = 7.5 percent. The new measure weights are: poverty = 50 percent, cost burden = 36 percent, overcrowding = 12 percent, and substandard housing = 2 percent.
- Previously, need (and resource) data associated with non-PJ places located within non-PJ counties was not included in the HOME RAF. It has been noted that these areas receive TDHCA HOME funding. Therefore, their associated need data is included in the formula.

Consideration of Available Resources

- Previously, TDHCA's HOME and HTC funding was not included in the RAF as an available resource. However, the following issues were noted.
  - A portion of HOME funds are not allocated through the RAF.
  - The RAF's distribution is not based solely on need. Because the regional funding allocation is adjusted to reflect available resources, the impact that this adjustment has on the regional distribution of all available resources should be considered.

[5] The amount of funding to be distributed under the HTF RAF has not been determined at this time. The percentages shown will be used to distribute funds as they become available. Due to the relatively small regional funding amounts, the HTF funds will be allocated regionally, but without specified rural and urban/exurban allocations. The overall statewide rural and urban/exurban distribution of funds will be maintained in awarding the funds.

  - There are small regional differences in the actual TDHCA program funding distribution due to the size of the application funding requests and overlapping program set aside requirements.
- The size of available resource adjustments had been proportional to the size of the region's affordable housing need. It was thought that having regions with the largest allocations contribute the largest funding adjustments would minimize the overall impact of these adjustments. However, it has been noted that this system can require a minimally over allocated region to provide a relatively large resource funding adjustment. Therefore, the size of the resource funding adjustment has been tied to the region's relative share of the State's total over allocation difference.
- The proposed RAF includes a maximum resource funding adjustment limit. In reviewing the available resources the RAF considers, it has been determined that a few resources cause most of the need and resource imbalances. In particular, the multifamily bond and the associated HTCs have a number of characteristics that directly impact the size of the resource funding adjustment.
  - Multifamily bond funding is distributed via a non-competitive lottery system. Because the system is noncompetitive, developments that would otherwise fulfill TDHCA HTC application requirements in terms of quality, community support, and ability to meet local need, may be unable to receive this resource.
  - The regional distribution and the corresponding resource funding adjustments change drastically based on the annual bond lottery results. With the changing regional allocation amounts, it is difficult for applicants to know how much funding will be available to make long-term development plans.
  - For financial feasibility reasons, multifamily bonds tend to only work in the state's largest metropolitan places unless significant amounts of additional financial subsidies can be obtained. Some regions could lose a large portion of their funding for receiving resources that most of the region's communities cannot access. This would particularly affect rural communities in regions with large metropolitan areas.

  Since a few non-regionally distributed resources cause most of the resource and need distribution mismatch, it seemed logical that a region's contribution of its need based funding should not exceed the percentage of the state's total resources that are not regionally distributed.
- While this item does not represent a change to the formula, it should be noted that the Department has received a substantial amount of public comment on how multifamily tax-exempt bond financing should be considered in the RAF. The comment ranged from valuing the bonds at 100 percent because they are a governmental source of funding to not counting them at all since the actual value of the transactions over a market rate loan is negligible. This year the Department is recommending continuation of the 20 percent valuation of the bonds used in last year's RAF. This level was based on an estimate of the incremental value of the bonds over the life of the loan which is thought to not have changed significantly over the course of a year. This is consistent with the recommendation of the QAP working group.
- The draft and final RAF funding distributions changed significantly last year due to a number of factors. It is hoped that two changes this year will minimize differences between the 2005 draft and final RAF.
  - One change is that a significant amount of HUD data that related to PHA funding was obtained after the 2004 draft was published. This data is already included in the 2005 draft. When the final 2004 HUD numbers are obtained, the impact is expected to be minimal as the overall distribution is not expected to change significantly from the previous year.
  - As was mentioned earlier in the document, the multifamily bond and associated HTCs distribution changes drastically each year. To minimize the impact of these changes this year, the 2005 draft RAF uses the 2004 state fiscal year distribution to date. With the addition of a few other transactions, these are the same numbers that will be used in the final RAF. This was not the case with the 2004 draft which relied on the same numbers used in the final 2003 RAF.

Consideration of Rural and Urban/Exurban Areas

- To include the need and resource data of unincorporated areas that have a population density similar to urban areas in the RAF, the area definition was modified to include the following text: "or an area located outside the boundaries of a place and in a census tract that has a population density greater than 1,200 people per square mile." The "1,200 persons per square mile" requirement is approximately equal to the average population density of urban categorized places with a population less than 100,000.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION ITEM
September 9, 2004

Action Item

2005 State of Texas Low Income Housing Plan and Annual Report --Draft for Public Comment.

Required Action

Approve for public comment the *2005 State of Texas Low Income Housing Plan and Annual Report --Draft for Public Comment*.

Background

The *2005 State of Texas Low Income Housing Plan and Annual Report -- Draft for Public Comment* (SLIHP or Plan) is one of three comprehensive planning documents the Texas Department of Housing and Community Affairs (TDHCA or the Department) 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, 2003–August 31, 2004). Final FY 2004 performance data was not available at the time of the publication of this draft document and will be in the final version.

The Plan will be made available for public comment from September 24, 2004 through October 25, 2004. Comments will be accepted in writing directly to the Department or at 13 consolidated hearings to be held across the state (Houston, El Paso, Dallas, San Antonio, Victoria, Waco, Tyler, Lufkin, Wichita Falls, Amarillo, Harlingen, San Angelo, and Austin).

Summary of Changes from 2*004 State of Texas Low Income Housing Plan and Annual Report*

- Statewide and regional needs assessments contain newly released Comprehensive Housing Affordability Strategy (CHAS) data based on 2000 Census
- 2005 Regional Allocation Formula
- 2005 Affordable Housing Needs Score
- HOME Program:
  - Will be limiting single family funding solely to non participating jurisdictions. (Multifamily will continue to reserve the right to allocate in PJs so long as they do not exceed 5 percent of the total HOME allocation, serve persons with disabilities, and are in compliance with the Department's Integrated Housing Rule)
  - The five percent disability set aside will now be subject to the Regional Allocation Formula. (The allocation will be handled similarly to the way the Housing Tax Credit Program does their nonprofit set aside).

Please see the TDHCA website, Center for Housing Research, Planning, and Communications Publications page (http://www.tdhca.state.tx.us/hrcpub.htm), Drafts for Public Comment, for the complete document.

CENTER FOR HOUSING RESEARCH, PLANNING, AND COMMUNICATIONS

BOARD ACTION ITEM
September 9, 2004

Action Item

2005-2009 State of Texas Consolidated Plan -- Draft for Public Comment.

Required Action

Approve for public comment the *2005-2009 State of Texas Consolidated Plan -- Draft for Public Comment*.

Background

The *2005-2009 State of Texas Consolidated Plan -- Draft for Public Comment* (the 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 also gives an overview of activities which:

- address the needs of the homeless, including emergency shelter and transitional housing;
- address obstacles to meeting underserved needs;
- foster and maintain affordable housing;
- remove barriers to affordable housing;
- evaluate and reduce lead-based paint hazards;
- reduce the number of poverty level families;
- develop institutional structure;
- enhance coordination between public and private housing and social service agencies; and
- foster public housing resident 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 describes 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.

The Plan will be made available for public comment from September 24, 2004 through October 25, 2004. Comments will be accepted in writing directly to the Department or at 13 consolidated hearings to be held across the state (Houston, El Paso, Dallas, San Antonio, Victoria, Waco, Tyler, Lufkin, Wichita Falls, Amarillo, Harlingen, San Angelo, and Austin).

Summary of Changes from 2*004 State of Texas Consolidated Plan – One-Year Action Plan*

- Program performance figures reflect new organizational structure and new performance measures for TDHCA (as approved by the LBB)
- Statewide and regional needs assessments contain newly released Comprehensive Housing Affordability Strategy data based on 2000 Census
- 2005 Regional Allocation Formula
- 2005 Affordable Housing Needs Score
- HOME Program:
    - Will be limiting single family funding solely to non participating jurisdictions. (Multifamily will continue to reserve the right to allocate in PJs so long as they do not exceed 5 percent of the total HOME allocation, serve persons with disabilities, and are in compliance with the Department's Integrated Housing Rule)
    - The five percent disability set aside will now be subject to the Regional Allocation Formula. (The allocation will be handled similarly to the way the Housing Tax Credit Program does their nonprofit set aside).

Please see the TDHCA website, Center for Housing Research, Planning, and Communications Publications page (http://www.tdhca.state.tx.us/hrcpub.htm), Drafts for Public Comment, for the complete document.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 9, 2004

Action Item

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

Requested Action

Deny the addition of Union Bank of California to the Multifamily Bond Approved Trustee List.

Background

At the April 10, 2003 TDHCA Board meeting, the Board approved the Open Request for Qualifications (RFQ) for qualified institutions to serve as Trustees for the multifamily bond issues and/or refundings. Department staff published the RFQ in the *Texas Register*, the Bond Buyer and the Texas Market Place to solicit institutions to serve in the role of Trustee. The Trustees are approved for two years at which time they are required to update their qualifications to remain on the approved list. The Department received qualifications from the Union Bank of California. The institution is not being recommended due to no experience with Texas Multifamily transactions and they do not have any offices located in Texas.

The Department staff recommends the denial of the following institution to be added to the Multifamily Bond Approved Trustee List:

Institution	**Role**	**Requested Action**
Union Bank of California	Trustee	Do not add to approved list

There are four Trustees currently on the approved list: Wells Fargo Bank Texas, N.A.; Wachovia Bank National Association; JP Morgan Chase Bank of Texas; and Bank of New York (Dallas).

Recommendation

The Board deny the Union Bank of California to be added to the Multifamily Bond Approved Trustee list.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 9, 2004

Action Item

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

Requested Action

Approve the addition of Merrill Lynch (New York) to the Multifamily Bond Approved Underwriters List.

Background

At the April 10, 2003 TDHCA Board meeting, the Board approved the Open Request for Qualifications (RFQ) for Investment Banking Firms. Department staff published the RFQ in the *Texas Register*, the Bond Buyer and the Texas Market Place to solicit the expertise of Investment Banking Firms to facilitate the underwriting needs for the multifamily bond transactions. The Investment Firms are approved for two years at which time they are required to update their qualifications to remain on the approved list. The Department received qualifications from Merrill Lynch (New York) requesting to be approved as a Senior Manager.

The Department staff recommends the following Investment Banking Firm to be added to the Multifamily Bond Approved Underwriters List:

Merrill Lynch (New York)	Senior Manager	Add to approved list

There are fifteen (15) Senior Managers and four (4) Co-Managers currently on the Approved Multifamily Bond List (list attached).

Recommendation

The Board approve the recommended Investment Banking Firm to be added to the Multifamily Bond Approved Underwriters list.

Senior Managing Underwriters for Multifamily Transactions

Stern Brothers & Co. (9/11/03)
Contact: Terrance M. Finn
8000 Maryland Avenue, Suite 1020
St Louis, MO 63105-3752
Phone: (314) 727-5519
Fax: (314) 727-7313

M.R. Beal & Company (9/11/03)
Contact: Bernard B. Beal
67 Wall Street, Suite 1701
New York, NY 10005
Phone: (212) 983-3930
Fax: (212) 983-4539

JP Morgan Securities, Inc. (9/11/03)
Contact: Anthony Snell
2200 Ross Avenue, 8th Floor
Dallas, TX 75201
Phone: (21) 496-5722
Fax: (214) 965-3577

A.G Edwards & Sons, Inc (9/11/03)
Contact: Nora Chavez
One North Jefferson
St. Louis, Missouri 63103
Phone: (314) 955-3616
Fax: (314) 955-7371

Citigroup Global Markets (5/13/04)
Contact: Michael Toth
390 Greenwich Street, 2nd Floor
New York, NY 10013
Phone: (212) 723-5697
Fax: (212) 723-8581

Newman & Associates (5/13/04)
Contact: John M. Kuykendall
1801 California, Suite 3700
Denver, CO 80202
Phone: (303) 293-8500
Fax: (303) 296-6804

George K. Baum & Co. (9/11/03)
Contact: Guy E. Yandel
717 Seventeenth Street, Suite 2500
Denver, CO 80202
Phone: (303) 292-1600
Fax: (800) 722-1670

Merchant Capital, L.L.C. (9/11/03)
Contact: John Rucker, III
250 Commerce, Suite 36104
Montgomery, Alabama 36101
Phone: (334) 834-5100
Fax: (334) 269-0902

Banc of America Securities (1/13/04)
Contact: Lawrence Soule
9 West 57th, 6th Floor
New Yoark, NY 10019
Phone: (212) 847-6351
Fax: (212) 933-2268

Raymond James & Associates (6/10/04)
Contact: Craig Ferguson
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BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 9, 2004

Action Item

Interest Rate Swap Policy.

Required Action

Approve the attached Interest Rate Swap Policy.

Background

Bond Finance successfully incorporated TDHCA's first variable rate demand bonds and interest rate swap in TDHCA's March 2004 issue, Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B. In conjunction with that issue, Bond Finance developed an interest rate swap policy (the "Document") for purposes of evidencing an understanding of the benefits and risks of interest rate swaps and similar financial instruments and outlining certain operational parameters pertaining to TDHCA's execution of interest rate swaps. Bond Finance prepared the Document with the assistance of RBC Dain Rauscher Inc., TDHCA's financial advisor. Standard & Poor's also reviewed the Document.

The Document contains fifteen sections and covers the following topics: introduction and background, authority, purpose, evaluation of risks, long-term financial implications, form of swap payments, qualified swap counterparties, termination provisions, security and source of repayment, specified indebtedness, governing law, events of default, collateral requirements, other criteria, and ongoing monitoring and reporting.

To take advantage of historically low interest rates and create a marketable and competitive mortgage product for first-time homebuyers, Bond Finance has recommended issuing a portion of TDHCA's bond transactions in the form of *variable rate demand bonds*. To reduce interest rate exposure associated with unhedged variable interest rates that change according to market conditions, Bond Finance has recommended implementing a hedge referred to as an *interest rate swap*. An interest rate swap is a contractual agreement whereby two parties, called counterparties, agree to exchange periodic interest payments. Through an interest rate swap agreement, TDHCA will pay a highly rated counterparty a fixed interest rate. In exchange, the highly rated counterparty will pay TDHCA a variable interest rate which is reasonably expected to be similar to the variable interest rate TDHCA will pay on the variable rate demand bonds. An interest rate swap contract is a derivative security.

No legal requirements exist regarding the Board's adoption of an interest rate policy.

Recommendation

Approve the attached Interest Rate Swap Policy.

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
INTEREST RATE SWAP POLICY

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

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

I. Introduction

The purpose of the Interest Rate Swap Policy ("Policy") of the Texas Department of Housing and Community Affairs (the "Department") is to establish guidelines for the use and management of all interest rate management agreements, including, but not limited to, interest rate swaps, swaptions, caps, collars and floors (collectively "Swaps" or "Agreements") incurred in connection with the incurrence of debt obligations. The Policy sets forth the manner of execution of Swaps and Agreements, provides for security and payments provisions, risk considerations and certain other relevant provisions as well as being responsive to the proposed 2003 recommended practices of the Government Finance Officers Association regarding the contents of an interest rate swap policy.

II. Authority

The Department is authorized by Section 2306.351 of the Act to enter into swap transactions from time to time to better manage assets and liabilities and take advantage of market conditions to lower overall costs and reduce interest rate risk.

This Policy shall govern the Department's use and management of all Swaps. While adherence to this Policy is required in applicable circumstances, the Department recognizes that changes in the capital markets, agency programs, and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy and will require modifications or exceptions to achieve policy goals.

The Chief of Agency Administration and the Director of Bond Finance are the designated administrators of the Department's Policy. The Bond Finance Division shall have the day-to-day responsibility for structuring, implanting, and managing Swaps.

The Department shall be authorized to enter into Swap transactions only with qualified Swap counterparties. The Director of Bond Finance, in consultation with Chief of Agency Administration, or his designee, shall have the authority to recommend counterparties, so long as the criteria set forth in the Policy are met.

The Chief of Agency Administration and the Director of Bond Finance shall review this swap policy on an annual basis and implement any necessary changes.

III. Purpose

The incurring of obligations by the Department involves a variety of interest rate payments and other risks for which a variety of financial instruments are available to offset, hedge, or reduce. It is the policy of the Department to utilize swaps and other derivative financial instruments to better manage its assets and liabilities. The Department may execute interest rate swaps if the transaction can be expected to result in one of, but no limited to the following:

- Reduce exposure to changes in interest rates on a particular financial transaction or in the context of the management of interest rate risk derived from the Department's overall asset/liability balance.
- Result in a lower net cost of borrowing with respect to the Department's debt.
- Manage variable interest rate exposure consistent with prudent debt practices.
- Achieve more flexibility in meeting overall financial and programmatic objectives that cannot be achieved in conventional markets.

The Department will not use Agreements that:

- Are speculative or incorporate extraordinary leverage;
- Lack adequate liquidity to terminate without incurring a significant bid/ask spread;
- Result in insufficient pricing transparency and therefore limit reasonable valuation.

IV. Evaluation of Risks Associated with Swaps

Before entering into a swap, the Department shall evaluate all the risks inherent in the transaction. The risks to be evaluated will include basis risk, tax risk, counterparty risk, credit risk, termination risk, rollover risk, liquidity risk, remarketing risk, amortization mismatch risk, mortgage yield risk, non-origination risk, and PAC band risk. The following table outlines these various risks and the Department's evaluation methodology for those risks.

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Risk	Description	Evaluation Methodology
Basis Risk	The mismatch between actual variable rate debt service and variable rate indices used to determine Swap payments.	The Department will review historical trading differentials between the variable rate bonds and the index.
Tax Risk	The risk created by potential tax events that could affect Swap payments.	The Department will review the tax events in proposed Swap agreements. The Department will evaluate the impact of potential changes in tax law on LIBOR indexed Swaps.
Counterparty Risk	The failure of the counterparty to make required payments.	The Department will monitor exposure levels, ratings thresholds, and collateralization requirements.
Credit Risk	The occurrence of an event modifying the credit rating of the issuer or its counterparty.	The Department will ascertain and monitor the ratings of its counterparties and issuers.
Termination Risk	The need to terminate the transaction in a market that dictates a termination payment by the issuer.	The Department will compute its termination exposure for all existing and proposed Swaps at market value and under a worst-case scenario.
Rollover Risk	The mismatch of the maturity of the Swap and the maturity of the underlying bonds.	The Department will determine its capacity to service variable rate bonds that may be outstanding after the maturity of the Swap.
Liquidity Risk	The inability to continue or renew a liquidity facility.	The Department will evaluate the expected availability of liquidity support for swapped and unhedged variable rate debt, if any.
Remarketing Risk	The risk that a remarketing agent may be unable to remarket VRDBs.	The Department will obtain a standby bond purchase facility to provide the funds necessary to purchase the VRDBs.
Amortization Mismatch Risk	The mismatch of outstanding swap principal versus the outstanding bond principal subject to the hedge.	The Department may incorporate one or a combination of the following features par termination options, PAC or lockout bonds.
Mortgage Yield Risk	The bond issue may not comply with yield restrictions if the swap is terminated.	The Department will obtain legal opinions and or certificates as appropriate.
Non-origination Risk	The bond proceeds may not originate within the prescribed timeframe and require an unused proceeds call and possible termination payment.	The Department will evaluate bond and mortgage market conditions and quantify the potential termination payment due upon non-origination.
PAC Band Break Risk	The targeted PAC bonds may amortize faster than anticipated based on the PAC amortization schedule.	The Department will rely upon credit rating agency cashflows to ensure adequate PAC/companion bond structural integrity.

The Department will diversify its exposure to counterparties. To that end, before entering into a transaction, the Department will determine its exposure to the relevant counterparty or counterparties and determine how the proposed transaction would affect the exposure. The exposure will not be measured solely in terms of notional amount, but rather how changes in interest rates would affect the Department's exposure ("Maximum Net Termination Exposure"). For purposes of these limits, "Maximum Net Termination Exposure" shall equal the aggregate termination payment for all existing and projected swap transactions that would be paid by an individual counterparty. For purposes of this calculation, the aggregate termination payment is equal to: (i) the termination payment based on the market value of all existing swaps as of the first day of the month prior to the execution of any proposed transaction, plus (ii) the reasonably expected worse case termination payment of the proposed transaction.

The Department will base the Maximum Net Termination Exposure on all outstanding derivative transactions. Limits will be established for each counterparty as well as the relative level of risk associated with each existing and projected swap transaction.

The Director of Bond Finance shall determine the appropriate term for an interest rate swap agreement on a case-by-case basis. The slope of the swap curve, the marginal change in swap rates from year to year along the swap curve, and the impact that the term of the swap has on the overall exposure of the Department shall be considered in determining the appropriate term of any swap agreement. In connection with the issuance or carrying of bonds, the term of a swap agreement between the Department and qualified swap counterparty shall not extend beyond the final maturity date of debt of the Department, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.

The total "net notional amount" of all swaps related to a bond issue should not exceed the amount of outstanding bonds. For purposes of calculating the net notional amount, credit shall be given to any swaps that offset for a specific bond transaction.

V. Long Term Financial Implications

In evaluating a particular transaction involving the use of derivatives, the Department shall review long-term implications associated with entering into derivatives, including costs of borrowing, historical interest rate trends, variable rate capacity, credit enhancement capacity, liquidity capacity, opportunities to refund related debt obligations and other similar considerations.

Impact of Use of Liquidity

The Department shall consider the impact of any variable rate bonds issued in combinations with a Swap on the availability and cost of liquidity support for other Department variable rate programs.

Call Option Value considerations

When considering the relative advantage of a Swap versus fixed rate bonds, the Department will take into consideration the value of any call option on fixed rate bonds.

Qualified Hedges

The Department understands that, (1) if payments on and receipts from the Agreement are to be taken into account in computing the yield on the related bonds, the Agreement must meet the requirements for a "qualified hedge" under federal tax law (sometimes referred to as an "integrated swap"); and (2) if one of the goals of entering into the Agreement is to convert variable yield bonds into fixed yield bonds (sometimes referred to as a "super integrated swap"), then certain additional requirements must be met. In both of these situations, the terms of the Agreement and the process for entering into the Agreement must be reviewed and approved in advance by tax counsel.

VI. Form of Swap Agreements

Each interest rate swap executed by the Department shall contain terms and conditions as set forth in the International Swap and Derivatives Association, Inc. ("ISDA") Master Agreement, including any schedules and confirmations. The swap agreements between the Department and each qualified swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the Director of Bond Finance deems necessary, desirable or consistent with industry best practices.

VII. Qualified Swap Counterparties

The Department will make its best efforts to work with qualified Swap counterparties that have a general credit rating of: (i) at least "A3" or "A-" by two of the nationally recognized rating agencies and not rated lower than "A3" or "A-" by any nationally recognized rating agency, or (ii) have a "non-terminating" "AAA" subsidiary as rated by at least one nationally recognized credit rating agency. The nationally recognized rating agencies are Moody's Investors Services, Inc., Standard and Poor's Rating Services, and Fitch Ratings.

In addition to the rating criteria specified herein, the Department will seek additional credit enhancement and safeguards in the form of:

- i. Contingent credit support or enhancement;
- ii. Collateral consistent with the policies contained herein;
- iii. Ratings downgrade triggers; and/or
- iv. Guaranty of parent, if any.

In addition, qualified Swap counterparties must have a demonstrated record of successfully executing Swap transactions as well as minimum capitalization of at least $150 million. The Department will only execute Swap transactions with qualified Swap counterparties who offer Swaps on a principal basis.

VIII. Termination Provisions

The Department shall consider including in all swap transactions provisions granting the Department the right to optionally terminate a swap agreement at any time over the term of the agreement. The Chief of Agency Administration and Director of Bond Finance shall determine if it is financially advantageous for the Department to terminate a swap agreement.

A termination event is deemed to occur should the Department's swap provider (or its swap credit support provider) fail to maintain either:

1. A Credit Rating of at least A- from Moody's; or
2. A Credit Rating of at least A3 from S&P; or,
3. An equivalent rating determined above by a nationally recognized ratings service acceptable to both parties; and,

4. The swap provider has not delivered any collateral as required under any related credit support annex.

A termination payment to or from the Department may be required in the event of termination of a swap agreement due to a default or a decrease in credit rating of either the Department or the counterparty.

It is the intent of the Department not to make a termination payment to a counterparty that does not meet its contractual obligations. Prior to making any such termination payment, the Chief of Agency Administration and Director of Bond Finance shall evaluate whether it is financially advantageous for the Department to obtain a replacement counterparty to avoid making such termination payment or finance the termination payment through a long-term financing product.

For payments on early termination and optional termination, Market Quotation and the Second Method will apply, allowing for two way mark-to-market breakage (assuming the swaps are documented under the 1992 form of the ISDA swap documents).

IX. Security and Source of Repayment

The Department may use the same security and source of repayment (pledged revenues) for Swaps as is used for the bonds that are hedged or carried by the Swap, if any, but shall consider the economic costs and benefits of subordinating the Department's payments and/or termination payment under the Swap. The use of the same security and source of repayment (pledged revenues) is subject to the respective bond indenture's covenants and the prior approval of the Department's bond counsel.

X. Specified Indebtedness

The specified indebtedness related to credit events in any Swap agreement should be narrowly defined and refer only to indebtedness of the Department that could have a materially adverse effect on the Department's ability to perform its obligations under the Swap. Debt should typically only include obligations within the same lien as the Swap obligation.

XI. Governing Law

Governing law for Swaps will be [the State of Texas.] Issues relating to jurisdiction, venue, waiver of jury trial and sovereign immunity will be subject to prevailing law and approval of [the Texas Attorney General Office.] Preference will be given to language providing that the counterparty will consent to jurisdiction in the Texas courts with respect to enforcement of the Agreement.

XII. Events of Default

Events of default of a swap counterparty shall include, but are not limited to the counterparty's:

1. Failure to make payments when due;
2. Breach of representations and warranties;
3. Illegality;
4. Failure to comply with downgrade provisions; and
5. Failure to comply with any other provisions of the agreement after a specified notice period.

XIII. Collateral Requirements

As part of any swap agreement, the Department may require the counterparty to post collateral or other credit enhancement to secure any or all swap payment obligations. As appropriate, the Chief of Agency Administration and Director of Bond Finance may require collateral or other credit enhancement to be posted by each swap counterparty under the following circumstances:

- Each counterparty to the Department may be required to post collateral if the credit rating of the counterparty or parent falls below the "A-" or "A3" category. Additional collateral for further decreases in credit ratings of each counterparty shall be posted by each counterparty in accordance with the provisions contained in the collateral support agreement to each swap agreement with the Department.
- Collateral shall consist of cash or U.S. Treasury securities.
- Collateral shall be deposited with an eligible third party custodian, or as mutually agreed upon between the Department and each counterparty.
- The market value of the collateral shall be determined on at least a weekly basis.
- The Department will determine reasonable threshold limits for increments of collateral posting based on a sliding scale reflective of credit ratings.
- The Chief of Agency Administration and Director of Bond Finance shall determine on a case-by-case basis whether other forms of credit enhancement are more beneficial to the Department.

XIV. Other Criteria

The Department may use a competitive or a negotiated process to select a Swap counterparty and price a Swap as it believes business, market or competitive conditions justify such a process. The conditions under which a negotiated selection is best used are provided below.

- Marketing of the Swap will require complex explanations about the security for repayment or credit quality.
- Demand is weak among swap counterparties.
- Market timing is important, such as for refundings.
- Coordination of multiple components of the financing is required.
- The Swap has non-standard features, such as one way collateral.
- Bond insurance is not available or not offered.
- The par amount for the transaction is significantly larger than normal.
- Counterparties are likely to demand individual changes in bid documents.

The Department will use a swap advisory firm to assist in the price negotiation. Also, the Department may obtain an opinion from an independent party that the terms and conditions of any derivative entered into reflect a fair market value of such derivatives as of the execution date.

XV. Ongoing Monitoring and Reporting Requirements

Written records noting the status of all interest rate swap agreements will be maintained by the Bond Finance Division and shall include the following information:

- Highlights of all material changes to swap agreements or new swap agreements entered into by the Department since the last report.
- Market value of each of the interest rate swap agreements.

- The net impact of a 50, 100, and 150 basis point parallel shift in the appropriate swap index or curve.
- For each counterparty, the Department shall provide the total notional amount position, the average life of each swap agreement, the available capacity to enter into a swap transaction, and the remaining term of each swap agreement.
- The credit rating of each swap counterparty and credit enhancer insuring swap payments.
- Actual collateral posting by swap counterparty, if any, per swap agreement and in total by swap counterparty.
- A summary of each swap agreement, including but not limited to the type of swap, the rates paid by the Department and received by the Department, indices, and other key terms.
- Information concerning any default by a swap counterparty to the Department, and the results of the default, including but not limited to the financial impact to the Department, if any.
- A summary of any swap agreements that were terminated.

The Department will monitor its swaps exposure on a daily or monthly basis, as necessary, and will look for ways to reduce the cost of a swap(s) or the overall swap exposure. The Department will report its swaps exposure on a monthly or quarterly basis, as necessary.

The Department shall reflect the use of derivatives on its financial statements in accordance with GASB Technical Bulletin No. 2003-1. The disclosure requirements include:

1. Objective of the Derivative
2. Significant Terms
3. Fair Value
4. Associated Debt
5. Risks.

The Chief of Agency Administration and the Director of Bond Finance will review the Department's swap policy on an annual basis.

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BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 9, 2004

Action Items

Resolution authorizing issuance of Single Family Mortgage Revenue Bonds, 2004 Series C, 2004 Series D (Variable Rate), 2004 Series E, and 2004 Series F (COB) for Program 62.

Required Action

Approve the attached resolution authorizing issuance of Single Family Mortgage Revenue Bonds, 2004 Series C, 2004 Series D (Variable Rate), 2004 Series E, and 2004 Series F (COB) for Program 62.

Background

TDHCA's annual volume cap allocation in 2004 for single family bonds equals $165,151,534. Bond Finance recommends issuing TDHCA's next single family bond issue to provide funds for unassisted mortgages. Bond Finance estimates that TDHCA will deplete, by late October, its current balance of unassisted mortgage funds available for very low, low and moderate income Texans seeking to purchase their first home. In conjunction with the issuance of tax-exempt bonds using 2004 volume cap, Bond Finance anticipates refunding several of TDHCA's outstanding 1993 Single Family Collateralized Home Mortgage Revenue Bond issues. In addition, Bond Finance anticipates issuing Convertible Option Bonds (COBs) that will be issued to provide additional mortgages in 2005. The following table illustrates the various components of the proposed transaction.

Program	Series	Amount *	Purpose	Bond Description
62	2004 C	$45,000,000	Tax-Exempt New Money (2004 Mortgages)	Fixed Rate Bonds
62	2004 D	35,000,000	Tax-Exempt New Money (2004 Mortgages)	Variable Rate Demand Bonds
62	2004 E	11,000,000	SF - CHMRB Refundings	Fixed Rate Bonds
TBD	2004 F	91,000,000	Tax-Exempt New Money (2005 Mortgages)	Convertible Option Bonds
Total		$182,000,000		

* Preliminary, subject to change

Interest rates remain at 40-year historical lows. To take advantage of these historical lows and create a marketable and competitive mortgage product for first-time homebuyers, Bond Finance recommends issuing a portion of the transaction, approximately 30% to 50%, in the form of *variable rate demand bonds*. To reduce interest rate exposure associated with unhedged variable interest rates that change according to market conditions, Bond Finance recommends implementing a hedge referred to as an *interest rate swap*. An interest rate swap is a contractual agreement whereby two parties, called counterparties, agree to exchange periodic interest payments. Through an interest rate swap agreement, TDHCA will pay a highly rated counterparty a fixed interest rate. In exchange, the highly rated counterparty will pay TDHCA a variable interest rate which is reasonably expected to be similar to the variable interest rate TDHCA will pay on the variable rate demand bonds. An interest rate swap contract is a derivative security.

Bond Finance successfully incorporated TDHCA's first variable rate demand bonds and interest rate swap for 30% of the transaction total in TDHCA's March 2004 issue, Single Family Mortgage Revenue Bonds, 2004 Series A and 2004 Series B.

The new mortgages will be unassisted low rate mortgages with projected interest rates of approximately 4.99% - 5.30%. Without issuing variable rate bonds, TDHCA would attain mortgage rates of approximately 5.95% - 6.00% for unassisted mortgages. The mortgages will be securitized and will be marketed to very low, low and moderate income residents of Texas. If authorized, the bonds are expected to be sold in October and the bond closing will occur approximately three to four weeks subsequent to the bond pricing.

Continuing with the previously approved senior manager rotation plan, Bond Finance recommends Piper Jaffray & Co. for this transaction and the subsequent refunding of the 2004 Series F Convertible Option Bond next spring. In addition, Bond Finance recommends Goldman, Sachs & Co. for the role of interest rate swap provider. Goldman, Sachs & Co. executes interest rate swaps on a principal basis with many other state housing finance agencies and proposed an innovative and beneficial swap that will help TDHCA alleviate risk.

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

Program Designation	Program 62
Down Payment Assistance (%)	None; All funds unassisted
Down Payment Assistance (% of Loans)	None; All funds unassisted
2004 Volume Cap	$165 million
Unassisted Lendable Funds Available in November 2004	$75 million
Unassisted Lendable Funds Deferred Until April 2005	$90 million
TDHCA Approval Date	**September 9, 2004**
Bond Review Board Planning Session	**September 14, 2004**
Bond Review Board Approval Date	**September 23, 2004**
Pricing Window	**September 27, 2004 – October 8, 2004**
Pre-Closing/Closing Dates	**October 27/28, 2004**

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Recommendation

Approve the attached resolution authorizing issuance of Single Family Mortgage Revenue Bonds, 2004 Series C, 2004 Series D (Variable Rate), 2004 Series E, and 2004 Series F (COB) for Program 62.

Supplemental Information

Current lendable proceeds in existing programs as of September 1, 2004:

Program Number	Original Allocation	Rate		Committed/ (In Pipeline)	Loans Purchased	Uncommitted Allocation	Targeted Area Balances
57A	107,332,736	4.99%	Unassisted	14,461,663	26,207,749	66,663,324	
59	19,840,000	5.30%	Unassisted	1,347,370	17,633,803	858,827	
59	20,160,000	5.99%	Assisted	3,078,360	16,357,000	724,640	
59A	45,534,676	4.99%	Unassisted	8,000,782	37,139,485	394,409	6,226
59A	25,522,238	5.99%	Assisted	3,885,465	3,606,034	18,030,739	13,524,012
61	75,865,983	4.99%	Unassisted	37,997,961	33,014,332	4,853,690	4,735,704
61	100,000,000	5.50%	Assisted	11,849,904	1,514,738	86,635,358	14,739,534
TOTAL:	394,255,633			80,621,505	135,473,141	178,160,987	

Resolution No. 04-067

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

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

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

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

WHEREAS, the Department has, pursuant to and in accordance with the provisions of the Act, issued, sold and delivered its Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program) Series 1993A, Series 1993B, Series 1993C, Series 1993D and Series 1993E (collectively, the "1993 Refunded Bonds") pursuant to the GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture dated as of November 1, 1993 (as amended and supplemented from time to time, collectively the "1993 Indenture") between the Department and J. P. Morgan Trust Company, National Association, as successor trustee (the trustee, in its capacity as trustee for the 1993 Refunded Bonds, is hereinafter referred to as the "1993 Refunded Bonds Trustee"); and

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

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

WHEREAS, the Governing Board has determined to authorize the issuance of the Department’s Single Family Mortgage Revenue Bonds, to be known as (i) its Single Family Mortgage Revenue Bonds, 2004 Series C (the “2004 Series C Bonds”); (ii) its Single Family Variable Rate Mortgage Revenue Bonds, 2004 Series D (the “2004 Series D Bonds”); (iii) its Single Family Mortgage Revenue Refunding Bonds, 2004 Series E (the “2004 Series E Bonds”); and (iv) its Single Family Mortgage Revenue Bonds, 2004 Series F (the “2004 Series F Bonds”) (collectively, the “Series 2004 Bonds”) pursuant to the Single Family Indenture (1) with respect to the 2004 Series C Bonds, the 2004 Series D Bonds and the 2004 Series F Bonds, for the purpose of providing funds to make and acquire qualifying mortgage loans (including participations therein through the purchase of mortgage-backed securities (“Mortgage Certificates”) issued and guaranteed by Federal National Mortgage Association (“Fannie Mae”), Federal Home Loan Mortgage Corporation (“Freddie Mac”) or Government National Mortgage Association (“Ginnie Mae”)) (referred to herein as “Mortgage Loans”), to fund capitalized interest and to pay costs of issuance of the Series 2004 Bonds; and (2) with respect to the 2004 Series E Bonds, for the purpose of providing funds to refund the Department’s outstanding 1993 Refunded Bonds within 90 days after the date of delivery of the Series E Bonds; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Thirty-Eighth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the “Thirty-Eighth Series Supplement”) in substantially the form attached hereto relating to the 2004 Series C Bonds, the Thirty-Ninth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the “Thirty-Ninth Series Supplement”) in substantially the form attached hereto relating to the 2004 Series D Bonds, the Fortieth Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the “Fortieth Series Supplement”) in substantially the form attached hereto relating to the 2004 Series E Bonds, and the Forty-First Supplemental Single Family Mortgage Revenue Bond Trust Indenture (the “Forty-First Series Supplement”) in substantially the form attached hereto relating to the 2004 Series F Bonds; and

WHEREAS, the Thirty-Eighth Series Supplement, the Thirty-Ninth Series Supplement, the Fortieth Series Supplement and the Forty-First Series Supplement are hereinafter collectively referred to as the “Supplemental Indentures”; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of the Mortgage Origination Agreement (the “Mortgage Origination Agreement”) in substantially the form attached hereto between the Department and certain mortgage lenders (the “Mortgage Lenders”) participating in the Department’s home loan purchase program designated as Bond Program No. 62 (the “Program”) setting forth the terms and conditions upon which Mortgage Loans will be purchased by the Department; and

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

WHEREAS, under the Program Guidelines, 100% of the funds available under the Program will be available to Mortgage Lenders participating in a controlled, first-come, first-served reservation system; and

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

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Remarketing Agreement relating to the 2004 Series D Bonds (the "Remarketing Agreement") with Piper Jaffray & Co., as remarketing agent (the "Remarketing Agent") in substantially the form attached hereto setting forth the terms under which the 2004 Series D Bonds will be remarketed from time to time; and

WHEREAS, the Governing Board desires to authorize the execution and delivery of a Standby Bond Purchase Agreement relating to the 2004 Series D Bonds (the "Standby Bond Purchase Agreement") with DEPFA BANK plc, acting by and through its New York Agency (the "Liquidity Bank"), in substantially the form attached hereto setting forth the terms under which the Liquidity Bank will advance funds from time to time for the purchase of 2004 Series D Bonds; and

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

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

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

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

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

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

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

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

WHEREAS, the Governing Board has determined to authorize the execution and delivery of the 2004 C/D/E/F Supplement to Depository Agreement relating to the Series 2004 Bonds (the "Depository Agreement"), by and among the Department, the Trustee and the Texas Treasury Safekeeping Trust Company to provide for the holding, administering and investing of certain moneys and securities relating to the Series 2004 Bonds; and

WHEREAS, the Governing Board has been presented with a draft of a preliminary official statement to be used in the public offering of the 2004 Series C Bonds, the 2004 Series D Bonds and the 2004 Series E Bonds and a draft of a preliminary official statement to be used in the public offering of the 2004 Series F Bonds (together, the "Official Statements") and the Governing Board of the Department desires to approve such Official Statements in substantially the forms attached hereto; and

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

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

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

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

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

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

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

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

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

ARTICLE I
ISSUANCE OF BONDS; APPROVAL OF DOCUMENTS

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

Section 1.2--Authority to Approve Form of Documents, Determine Interest Rates, Principal Amounts, Maturities and Prices. That the Chair of the Governing Board or the Executive Director of the Department (i) are hereby authorized and empowered to determine which series of the Series 2004 Bonds shall be issued on a taxable or a tax-exempt basis and to determine which series of the Series 2004 Bonds will be issued as new money bonds, refunding bonds, or governmental purpose bonds (or any combination thereof) and (ii) are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, as amended, to fix and determine the interest rates (which, with respect to the 2004 Series D Bonds will be determined from time to time by the Remarketing Agent), principal amounts and maturities of, and the prices at which the Department will sell to the Underwriters and/or Fannie Mae, the Series 2004 Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair of the Governing Board or the Executive Director of the Department of the Supplemental Indentures, the Depository Agreement, the Bond Purchase Agreements and the Official Statements; provided, however, that: (a) the net effective interest rate on the 2004 Series C Bonds shall not exceed 6.00% per annum, the net effective interest rate on the 2004 Series E Bonds shall not exceed 5.00% per annum and the net effective interest rate on the 2004 Series F Bonds shall not exceed 3.00% per annum; (b) the aggregate principal amount of the Series 2004 Bonds shall not exceed $85,000,000 for the 2004 Series C Bonds, $85,000,000 for the 2004 Series D Bonds, $12,000,000 for the 2004 Series E Bonds and $100,000,000 for the 2004 Series F Bonds, provided that the foregoing individual principal amounts for the 2004 Series C Bonds, the 2004 Series D Bonds and the 2004 Series F Bonds are subject to change such that the total aggregate principal amount of the 2004 Series C Bonds, the 2004 Series D Bonds and the 2004 Series F Bonds may not exceed $165,151,534; (c) the final maturity of the Series 2004 Bonds shall occur not later than September 1, 2037 for the 2004 Series C Bonds, September 1, 2037 for the 2004 Series D Bonds, September 1, 2025 for the 2004 Series E Bonds and September 1, 2037 for the 2004 Series F Bonds; (d) the price at which the Series 2004 Bonds are sold to the Underwriters and/or Fannie Mae shall not exceed 104.00% of the principal amount thereof for the 2004 Series

C Bonds, 100.00% of the principal amount thereof for the 2004 Series D Bonds, 100.00% of the principal amount thereof for the 2004 Series E Bonds and 100.00% of the principal amount thereof for the 2004 Series F Bonds; and (e) the Underwriters' fee shall not exceed the amount approved by the Texas Bond Review Board. In no event shall the interest rate on the Series 2004 Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law.

Section 1.3--Authorization of Swap Transaction. That the authorized representatives of the Department named in this resolution are hereby severally authorized and directed to negotiate and enter into a confirmation (the "Confirmation") of the Swap Transaction with the Swap Counterparty, provided that (i) the initial notional amount of the Swap Transaction is equal to the anticipated initial principal amount of the 2004 Series D Bonds, (ii) the Swap Transaction shall terminate on the anticipated final maturity date of the 2004 Series D Bonds, (iii) the Fixed Rate may not exceed 5.00% per annum, and (iv) if the 2004 Series D Bonds are not issued by November 1, 2004, the Swap Transaction shall terminate automatically pursuant to the terms of the Swap Agreement, and such authorized representatives are hereby severally directed and authorized, in the name and on behalf of the Department to execute and deliver, and, if requested, affix the seal of the Department to, the Confirmation.

Section 1.4--Approval, Execution and Delivery of the Supplemental Indentures. That the form and substance of the Supplemental Indentures are hereby approved, and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute, attest and affix the Department's seal to the Supplemental Indentures, and to deliver the Supplemental Indentures to the Trustee, respectively.

Section 1.5--Approval, Execution and Delivery of the Bond Purchase Agreements. That the sale of the Series 2004 Bonds to the Underwriters and/or Fannie Mae pursuant to the Bond Purchase Agreements is hereby approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Bond Purchase Agreements and to deliver the Bond Purchase Agreements to the Underwriters and/or Fannie Mae.

Section 1.6--Approval, Execution and Delivery of the Remarketing Agreement. That the form and substance of the Remarketing Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Remarketing Agreement and to deliver the Remarketing Agreement to the Remarketing Agent.

Section 1.7--Approval, Execution and Delivery of the Standby Bond Purchase Agreement. That the form and substance of the Standby Bond Purchase Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest and affix the Department's seal to the Standby Bond Purchase Agreement and to deliver the Standby Bond Purchase Agreement to the Liquidity Bank.

Section 1.8--Official Statements. That the Official Statements relating to the Series 2004 Bonds, in substantially the forms presented to the Governing Board, are hereby approved; that prior to the execution of the Bond Purchase Agreements, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, are hereby authorized and directed to finalize the Official Statements for distribution by the Underwriters to prospective purchasers of the Series 2004 Bonds, with such changes therein as the authorized representatives of the Department named in this Resolution may approve in order to permit such an authorized representative, for and on behalf of the Governing Board, to deem the Official Statements relating to the 2004 Series Bonds final as of their respective dates, except for such omissions as are permitted by Rule 15c2-12 of the Securities and Exchange Commission ("Rule 15c2-12"), such approval to be conclusively evidenced by the distribution of such Official Statements; and that within seven business days after the execution of the respective Bond Purchase Agreements, the authorized representatives of the Department named in this Resolution, acting for and on behalf of the Governing Board, shall cause the final Official Statements, in substantially the form of the corresponding Official Statement attached hereto, with such changes as such an authorized representative may approve, such approval to be conclusively evidenced by such authorized representative's execution thereof, to be provided to the Underwriters in compliance with Rule 15c2-12.

Section 1.9--Approval of Swap Agreement. That the form and substance of the Swap Agreement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Swap Agreement and to deliver the Swap Agreement to the Swap Counterparty approved by such authorized representative.

Section 1.10--Approval of Subordinate Lien. That the Department hereby authorizes the granting of a subordinate lien on the Trust Estate to the Swap Counterparty.

Section 1.11--Approval of Program Guidelines. That the form and substance of the Program Guidelines are hereby authorized and approved.

Section 1.12--Approval of Program Supplement. That the form and substance of the Program Supplement are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Program Supplement and to deliver the Program Supplement to the Mortgage Lenders.

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

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

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

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

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

Section 1.18--Approval of Continuing Disclosure Agreements. That the form and substance of the Continuing Disclosure Agreements are hereby authorized and approved and that the authorized representatives of the Department named in this Resolution are hereby authorized to execute, attest and affix the Department's seal to the Continuing Disclosure Agreements and to deliver the Continuing Disclosure Agreements to the Trustee.

Section 1.19--Approval of Purchase of Bond Insurance. That the purchase of the Bond Insurance is hereby approved and that the Executive Director and the Chair of the Governing Board of the Department are hereby authorized to determine whether to obtain such Bond Insurance based on interest rate savings to the Department in comparison with the costs of such Bond Insurance and, if appropriate, complete arrangements for the purchase of the Bond Insurance and to deliver the Bond Insurance policies or the commitments therefor to the Trustee.

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

Section 1.21--Approval of Investment in GICs. That the investment of funds held under the Single Family Indenture in connection with the Series 2004 Bonds in GICs is hereby approved and that the Executive Director or the Director of Bond Finance of the Department is hereby authorized to complete arrangements for the investment in GICs or such other investments as the authorized representatives named herein may approve.

Section 1.22--Approval of GIC Broker. That the Executive Director or the Director of Bond Finance and the Chair of the Governing Board are hereby authorized to select a GIC Broker, if any.

Section 1.23--Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such other agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, the Single Family Indenture, the Supplemental Indentures, the Bond Purchase Agreements, the Swap Transaction, the Depository Agreement, the Remarketing Agreement, the Standby Bond Purchase Agreement and the Continuing Disclosure Agreements.

Section 1.24--Power to Revise Form of Documents. That, notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution are each hereby authorized to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative, and in the opinion of Vinson & Elkins L.L.P., Bond Counsel to the Department, may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution, such approval to be evidenced by the execution of such documents by the authorized representatives of the Department named in this Resolution.

Section 1.25--Exhibits Incorporated Herein. That all of the terms and provisions of each of the documents listed below as an exhibit shall be and are hereby incorporated into and made a part of this Resolution for all purposes:

Exhibit B	-	Thirty-Eighth Series Supplement
Exhibit C	-	Thirty-Ninth Series Supplement
Exhibit D		Fortieth Series Supplement
Exhibit E	-	Forty-First Series Supplement
Exhibit F	-	Bond Purchase Agreements
Exhibit G	-	Remarketing Agreement
Exhibit H	-	Standby Bond Purchase Agreement
Exhibit I	-	Official Statements
Exhibit J	-	Swap Agreement
Exhibit K	-	Program Guidelines

Exhibit L	-	Program Supplement
Exhibit M	-	Mortgage Origination Agreement
Exhibit N	-	Servicing Agreement
Exhibit O	-	Compliance Agreement
Exhibit P	-	Funding Agreement
Exhibit Q	-	Depository Agreement
Exhibit R	-	Continuing Disclosure Agreements

Section 1.26--Authorized Representatives. That the following persons are each hereby named as authorized representatives of the Department for purposes of executing, attesting, affixing the Department's seal to, and delivering the documents and instruments and taking the other actions referred to in this Article I: Chair and Vice Chairman of the Governing Board, Executive Director of the Department, Deputy Executive Director of Housing Operations of the Department, Deputy Executive Director of Programs of the Department, Chief of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department and the Secretary of the Governing Board.

Section 1.27--Department Contribution. That the contribution of Department funds in an amount not to exceed $500,000 to pay certain costs of issuance of the Series 2004 Bonds or capitalized interest is hereby authorized.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

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

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

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

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

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

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

Section 2.7--Redemption of 1993 Refunded Bonds. That the Executive Director or the Director of Bond Finance is hereby authorized and directed: (i) to instruct the 1993 Refunded Bonds Trustee to redeem the outstanding Refunded Bonds with the proceeds of the 2004 Series E Bonds (as more fully identified in the 1993 Indenture) not later than 90 days after the date of issuance of the 2004 Series E Bonds; (ii) to pay the redemption premium with respect to the 1993 Refunded Bonds, if any; and (iii) to take all other actions necessary to cause such redemption to occur.

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

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

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

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

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

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

ARTICLE IV

GENERAL PROVISIONS

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

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

Section 4.3--Purposes of Resolution. That the Governing Board of the Department has expressly determined and hereby confirms that the issuance of the Series 2004 Bonds and the implementation of the Program contemplated by this Resolution accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

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

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

[Signature page follows.]

PASSED AND APPROVED this 9th day of September, 2004.

____
Chair, Governing Board

ATTEST:

____
Secretary

(SEAL)

EXHIBIT A

List of Underwriters

Co-Senior Managers

Piper Jaffray & Co.
Bear Stearns & Co., Inc.

Co-Managers

A. G. Edwards & Sons, Inc.
First Southwest Company
Goldman, Sachs & Co.
Samuel A. Ramirez & Co., Inc.

BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 9, 2004

Action Item

Resolution authorizing a revision of downpayment assistance terms for Single Family Mortgage Revenue Bonds, 2004 Series A, 2004 Series B (Variable Rate), and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Required Action

Approve the attached resolution authorizing a revision of downpayment assistance terms for Single Family Mortgage Revenue Bonds, 2004 Series A, 2004 Series B (Variable Rate), and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Background

Staff recommends offering Program 61's downpayment and closing cost assistance as a grant rather than as a non-forgivable, second lien loan.

In April 2004, TDHCA issued its Single Family Mortgage Revenue Bonds, 2004 Series A, 2004 Series B (Variable Rate), and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61). The total amount of bonds issued equaled $180.75 million.

All $70.8 million of non-targeted, unassisted 4.99% funds have been reserved. However, only $11.7 million of the $84.8 million in non-targeted, assisted 5.50% funds have been reserved. Currently, Program 61's four percent downpayment and closing cost assistance terms require a non-forgivable, second lien loan from eligible borrowers. Overall, these lending terms have not been competitive in TDHCA's first time homebuyer markets.

The downpayment and closing cost assistance grant will equal four percent of a borrower's mortgage. Staff will continue to examine other methods of funding downpayment assistance for future programs.

Recommendation

Approve the attached resolution authorizing a revision of downpayment assistance terms for Single Family Mortgage Revenue Bonds, 2004 Series A, 2004 Series B (Variable Rate), and Taxable Junior Lien Single Family Mortgage Revenue Bonds, 2004 Series A (Program 61).

Resolution No. 04-070

RESOLUTION AUTHORIZING THE AMENDMENT OF MORTGAGE ASSISTANCE ASSOCIATED WITH TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS BOND PROGRAM NO. 61; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Department has previously implemented its Bond Program No. 61 (the "Program") which included down payment and closing cost assistance (hereinafter referred to as "Mortgage Assistance") in the form of a non-forgivable, second lien loan to eligible borrowers; and

WHEREAS, the Governing Board has determined to convert the Mortgage Assistance under the Program to a grant and desires to authorize any revisions to the Program documents, including that certain Program Supplement for Texas Department of Housing and Community Affairs Bond Program No. 61, dated as of April 1, 2004, necessary in order to effect the conversion of Mortgage Assistance to a grant that does not require repayment;

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

ARTICLE I

APPROVAL OF DOCUMENTS

Section 1.1--Approval of Amendment to Mortgage Assistance. The conversion of Mortgage Assistance under the Program from a non-forgivable, second lien loan to a grant that does not require repayment is hereby approved and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments necessary to effect such conversion.

Section 1.2--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.3--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chair of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the conversion of Mortgage Assistance under the Program from a non-forgivable, second lien loan to a grant that does not require repayment will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

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

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

(Execution Page Follows)

PASSED AND APPROVED this 9th day of September, 2004.

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Elizabeth Anderson, Chair

ATTEST:

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Delores Groneck, Secretary

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 9, 2004

Action Items

Resolution authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2002 Series A, 2002 Series B, and 2002 Series C (Program 57A).

Required Action

Approve the attached resolution authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2002 Series A, 2002 Series B, and 2002 Series C (Program 57A).

Background

The mortgage loan origination period related to TDHCA's Single Family Mortgage Revenue Bonds, 2002 Series A, 2002 Series B, and 2002 Series C (Program 57A) will terminate on December 1, 2004. Unspent proceeds bond redemptions must be made if the origination period is not extended. Staff recommends extending the certificate purchase date for Program 57A to November 1, 2005. The table below reflects Program 57A's balances as of August 31, 2004.

Total Lendable Bond Proceeds	$107.3 million
Unassisted Funds Unreserved Balance	$ 67.8 million
+ Loans in Mortgage Pipeline	$ 13.7 million
= Total Unspent Proceeds Balance	$ 81.5 million
Mortgages Closed and Funded	$ 25.8 million

The mortgage rate for the remaining unassisted funds equals 4.99%. Mortgage originations have averaged approximately $1 million to $2 million daily at this interest rate level since the rate was reduced from 5.90%. Staff believes that with an extended origination period, all funds will be converted into mortgage loans.

Recommendation

Approve the attached resolution authorizing the extension of the certificate purchase period for Single Family Mortgage Revenue Bonds, 2002 Series A, 2002 Series B, and 2002 Series C (Program 57A).

Resolution No. 04-069

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIOD FOR SINGLE FAMILY MORTGAGE REVENUE BONDS, 2002 SERIES A, SINGLE FAMILY MORTGAGE REVENUE REFUNDING BONDS, 2002 SERIES B AND SINGLE FAMILY MORTGAGE REVENUE REFUNDING BONDS, 2002 SERIES C; AUTHORIZING ARRANGEMENTS RELATING TO AN INVESTMENT AGREEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Act authorizes the Department: (a) to make 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, among others, of obtaining funds to acquire, finance or acquire participating interests in 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 or participating interests, and to mortgage, pledge or grant security interests in such mortgages or 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, the Department has issued its Single Family Mortgage Revenue Bonds, 2002 Series A in the aggregate principal amount of $38,750,000 (the "Series A Bonds"), its Single Family Mortgage Revenue Refunding Bonds, 2002 Series B in the aggregate principal amount of $52,695,000 (the "Series B Bonds"), and its Single Family Mortgage Revenue Refunding Bonds, 2002 Series C in the aggregate principal amount of $12,950,000 (the "Series C Bonds" and together with the Series A Bonds and the Series B Bonds, collectively, the "2002 Series A/B/C Bonds") pursuant to a Single Family Mortgage Revenue Bond Trust Indenture dated as of October 1, 1980 as amended by the supplemental indentures numbered First through Thirty-Fifth thereto (as amended, the "Single Family Indenture"), between the Department, as successor to the Texas Housing Agency and J.P. Morgan Trust Company, National Association, as successor trustee (the "Trustee"), as supplemented by the Thirty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2002 (as amended by the First Amendment to Thirty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated March 24, 2003, the Second Amendment to Thirty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated March 1, 2004, and the Third Amendment to Thirty-Second Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated August 23, 2004, collectively, the "Thirty-Second Supplement"), with respect to the 2002 Series A Bonds, the Thirty-Third Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2002 (the "Thirty-Third Supplement"), with respect to the 2002 Series B Bonds, and the Thirty-Fourth Supplemental Single Family Mortgage Revenue Bond Trust Indenture dated as of June 1, 2002 (the "Thirty-Fourth Supplement"), with respect to the 2002 Series C Bonds, each between the Department and the Trustee, for the purpose, among others, of providing funds to make and acquire qualified mortgage loans (including participating interests therein) during the Certificate Purchase Period (as defined in the Thirty-Second Supplement); and

WHEREAS, pursuant to Resolution No. 03-071 adopted on September 11, 2003, the Department extended the Certificate Purchase Period with respect to the 2002 Series A/B/C Bonds to December 1, 2004, or the first business day thereafter; and

WHEREAS, the investment agreement pursuant to which certain proceeds of the 2002 Series A/B/C Bonds were invested during the initial Certificate Purchase Period expired with respect to such proceeds on October 1, 2003; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the Certificate Purchase Period for the 2002 Series A/B/C Bonds to November 1, 2005 in accordance with the terms of the Thirty-Second Supplement, (ii) arrangements to obtain a new investment agreement to provide for the investment of proceeds of the 2002 Series A/B/C Bonds during the Certificate Purchase Period, as so extended, (iii) all actions to be taken with respect thereto, and (iv) the execution and delivery of all documents and instruments in connection therewith;

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

ARTICLE I

EXTENSION OF CERTIFICATE PURCHASE PERIOD; APPROVAL OF DOCUMENTS

Section 1.1--Approval of Extension of the Certificate Purchase Period. The extension of the Certificate Purchase Period to November 1, 2005, or the first business day thereafter, is hereby authorized, subject to advice of any financial advisor, bond counsel or other advisor to the Department, such extension to be effectuated under and in accordance with the Indenture, the Thirty-Second Supplement, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments in connection therewith and to request and deliver all certificates as may be required by the terms of the Thirty-Second Supplement in connection therewith.

Section 1.2--Investment Agreement and Investment Agreement Broker. The investment of funds held under the Thirty-Second Supplement, the Thirty-Third Supplement and the Thirty-Fourth Supplement is hereby approved and the Executive Director and the Director of Bond Finance each are authorized hereby to complete arrangements for investment in an investment agreement, including, without limitation, selection of the investment agreement broker, if any.

Section 1.3--Authorization of Investment Agreement. The execution and delivery of an investment agreement is hereby authorized and approved and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver such investment agreement and all documents and instruments in connection therewith.

Section 1.4--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.5--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chair of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the acquisition of mortgage loans or the purchase of Mortgage Certificates resulting from the extension of the Certificate Purchase Period will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

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

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

(Execution Page Follows)

PASSED AND APPROVED this 9th day of September, 2004.

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Elizabeth Anderson, Chair

ATTEST:

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Delores Groneck, Secretary

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 9, 2004

Action Items

Resolution authorizing the extension of the certificate purchase period for Residential Mortgage Revenue Bonds, Series 2003A (Program 59A).

Required Action

Approve the attached resolution authorizing the extension of the certificate purchase period for Residential Mortgage Revenue Bonds, Series 2003A (Program 59A).

Background

The mortgage loan origination period related to TDHCA's Residential Mortgage Revenue Bonds, Series 2003A (Program 59A) will terminate on December 1, 2004. Unspent proceeds bond redemptions must be made if the origination period is not extended. Staff recommends extending the certificate purchase date for Program 59A to December 1, 2005. The table below reflects Program 59A's balances, per the master servicer's records, as of August 31, 2004.

Total Lendable Bond Proceeds	$71.1 million
Assisted Funds Unreserved Balance	$18.1 million
+ Unassisted Funds Unreserved Balance	$ .4 million
+ Loans in Mortgage Pipeline	$12.9 million
= Total Unspent Proceeds Balance	$31.4 million
Mortgages Closed and Funded	$39.7 million

Funds set-aside for targeted areas per the tax code comprise over 43% of the total unspent proceeds balance. The one-year targeted area set-aside expires in February 2005. Thereafter, these monies will be available on a statewide basis. The assisted mortgage rate equals 5.99%. A downpayment assistance grant of up to 4% of the mortgage amount will be available for all assisted loans. Downpayment assistance was funded by premium bonds for Program 59A.

Staff believes that with an extended origination period, all funds will be converted into mortgage loans.

Recommendation

Approve the attached resolution authorizing the extension of the certificate purchase period for Residential Mortgage Revenue Bonds, Series 2003A (Program 59A).

Resolution No. 04-071

RESOLUTION AUTHORIZING THE EXTENSION OF THE CERTIFICATE PURCHASE PERIOD FOR RESIDENTIAL MORTGAGE REVENUE REFUNDING BONDS, SERIES 2003A; AUTHORIZING ARRANGEMENTS RELATING TO AN INVESTMENT AGREEMENT; AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS RELATING THERETO; MAKING CERTAIN FINDINGS AND DETERMINATIONS IN CONNECTION THEREWITH; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

WHEREAS, the Act authorizes the Department: (a) to make 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, among others, of obtaining funds to acquire, finance or acquire participating interests in 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 or participating interests, and to mortgage, pledge or grant security interests in such mortgages or 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, the Department has issued its Residential Mortgage Revenue Refunding Bonds, Series 2003A in the aggregate principal amount of $73,630,000 (the "Series 2003A Bonds"), pursuant to the Residential Mortgage Revenue Bond Trust Indenture dated as of November 1, 1987 between the Department, as successor to the Texas Housing Agency, and J.P. Morgan Trust Company, National Association, as successor trustee (the "Trustee"), as supplemented and amended (collectively, the "Residential Mortgage Indenture"), and the Twenty-Seventh Supplemental Residential Mortgage Revenue Bond Trust Indenture (the "Twenty-Seventh Supplement") dated as of August 1, 2003, with respect to the Series 2003A Bonds, between the Department and the Trustee, for the purpose, among others, of refunding certain prior bonds of the Department, thereby providing funds to make and acquire qualified mortgage loans (including participating interests therein) during the Certificate Purchase Period (as defined in the Twenty-Seventh Supplement); and

WHEREAS, the Certificate Purchase Period ends on December 1, 2004, unless extended; and

WHEREAS, the investment agreement pursuant to which certain proceeds of the Series 2003A Bonds are invested during the Certificate Purchase Period expires with respect to such proceeds on February 1, 2005; and

WHEREAS, the Department desires to approve and authorize (i) the extension of the Certificate Purchase Period to December 1, 2005 in accordance with the terms of the Twenty-Seventh Supplement, (ii) arrangements to obtain a new investment agreement to provide for the investment of proceeds of the Series 2003A Bonds during the Certificate Purchase Period, as so extended, (iii) all actions to be taken with respect thereto, and (iv) the execution and delivery of all documents and instruments in connection therewith;

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

ARTICLE I

EXTENSION OF CERTIFICATE PURCHASE PERIOD; APPROVAL OF DOCUMENTS

Section 1.1--Approval of Extension of the Certificate Purchase Period. The extension of the Certificate Purchase Period to December 1, 2005, or the first business day thereafter, is hereby authorized, subject to advice of any financial advisor, bond counsel or other advisor to the Department, such extension to be effectuated under and in accordance with the Residential Mortgage Indenture and the Twenty-Seventh Supplement, and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all documents and instruments in connection therewith and to request and deliver all certificates as may be required by the terms of the Twenty-Seventh Supplement in connection therewith.

Section 1.2--Investment Agreement and Investment Agreement Broker. The investment of funds held under the Twenty-Seventh Supplement is hereby approved and the Executive Director and the Director of Bond Finance each are authorized hereby to complete arrangements for investment in an investment agreement, including, without limitation, selection of the investment agreement broker, if any.

Section 1.3--Authorization of Investment Agreement. The execution and delivery of an investment agreement is hereby authorized and approved and the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver such investment agreement and all documents and instruments in connection therewith.

Section 1.4--Execution and Delivery of Other Documents. The authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver all agreements, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.5--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chair of the Board; the Vice Chairman of the Board; the Secretary of the Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II

GENERAL PROVISIONS

Section 2.1--Purpose of Resolution. The Board has expressly determined and hereby confirms that the acquisition of mortgage loans or the purchase of Mortgage Certificates resulting from the extension of the Certificate Purchase Period will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

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

Section 2.3--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

(Execution Page Follows)

PASSED AND APPROVED this 9th day of September, 2004.

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Elizabeth Anderson, Chair

ATTEST:

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Delores Groneck, Secretary

(SEAL)

BOND FINANCE DIVISION

BOARD ACTION REQUEST
September 9, 2004

Action Item

Resolution authorizing the sale of Mortgage Certificates from Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994A, Series 1994B, and Series 1994C issues.

Required Action

Approve the attached resolution authorizing the sale of mortgage certificates from Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994A, Series 1994B, and Series 1994C issues.

Background

Bond Finance has affirmed the feasibility of executing a mortgage certificate sale and redemption of the Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994A, Series 1994B, and Series 1994C issues ("1994 SF-CHMRB"). Given current bond market conditions, this transaction may generate at least $500,000 in revenues in excess of funds required to redeem the related outstanding bonds and pay associated transaction costs.

TDHCA originally sold the 1994 SF-CHMRB issues in 1995 and 1996. Approximately $20.1 million and $19.5 million in mortgage certificates and bonds remain outstanding, respectively.

The Department would effect this transaction by selling the 1994 SF-CHMRB mortgage certificates. George K. Baum & Co. will manage the mortgage sale. Funds received from the mortgage certificates' sale would then be used to redeem all of the outstanding 1994 SF-CHMRB bonds at the time of each series' optional call date.

This transaction is subject to favorable bond and mortgage market conditions.

Recommendation

Approve the attached resolution authorizing the sale of mortgage certificates from Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program), Series 1994A, Series 1994B, and Series 1994C issues.

Resolution No. 04-073

RESOLUTION APPROVING THE SALE OF SERIES 1994 MORTGAGE CERTIFICATES; AND CONTAINING OTHER PROVISIONS RELATING TO THE SUBJECT

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

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

WHEREAS, the Department as previously issued its Texas Department of Housing and Community Affairs Single Family Mortgage Revenue Bonds (Collateralized Home Mortgage Revenue Bond Program) Series 1994 (the "Series 1994 Bonds") pursuant to that certain GNMA/FNMA Collateralized Home Mortgage Revenue Bond Master Trust Indenture between the Department and J.P. Morgan Trust Company, National Association , as successor trustee to Bank One, Texas, NA as trustee (the "Trustee"), dated as of November 1, 1994, as supplemented by the First Supplemental GNMA/FNMA Collateralized Home Mortgage Revenue Bond Trust Indenture (the "First Series Supplement") between the Department and the Trustee and dated as of November 1, 1994 (collectively, the "Indenture"), and has purchased with the proceeds of such Series 1994 Bonds the Series 1994 Mortgage Certificates (as defined in the Indenture); and

WHEREAS, the Department desires to sell the Series 1994 Mortgage Certificates relating to the Series 1994 Bonds in order to effect the redemption of a corresponding amount of Series 1994 Bonds pursuant to the Indenture; and

WHEREAS, the Governing Board of the Department desires to approve the sale of the Series 1994 Mortgage Certificates, the redemption of the Series 1994 Bonds and the payment of the redemption premium, and the execution and delivery of such documents and the taking of such other actions as may be necessary or convenient to carry out the provisions of this Resolution; NOW, THEREFORE,

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

ARTICLE I
SALE OF SERIES 1994 MORTGAGE CERTIFICATES

Section 1.1--Sale of Series 1994 Mortgage Certificates. The sale of the Series 1994 Mortgage Certificates at a purchase price in excess of the outstanding principal balance thereof is hereby authorized, all under and in accordance with the Indenture and subject to compliance with the terms of the Indenture.

Section 1.2—Redemption of Series 1994 Bonds. The Executive Director or the Director of Bond Finance is hereby authorized and directed : (i) to instruct the Trustee to redeem the outstanding Series 1994 Bonds to be redeemed in accordance with the Indenture and (ii) to take all other actions necessary to cause such redemption to occur including payment of the redemption premium for the Series 1994 Bonds.

Section 1.3--Execution and Delivery of Documents. The authorized representatives of the Department named in this Resolution are each hereby authorized to execute, attest, affix the Department's seal to and deliver such agreements, advance commitment agreements, assignments, bonds, certificates, contracts, documents, instruments, releases, financing statements, letters of instruction, notices of acceptance, written requests and other papers, whether or not mentioned herein, as may be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.4--Authorized Representatives. The following persons are each hereby named as authorized representatives of the Department for purposes of executing and delivering the documents and instruments referred to in this Article I: the Chair of the Governing Board; the Vice Chairman of the Governing Board; the Secretary of the Governing Board; the Executive Director of the Department; and the Director of Bond Finance of the Department.

ARTICLE II
APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Engagement of Other Professionals. The Executive Director or the Director of Bond Finance is authorized to engage an accounting firm to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Indenture and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable State law.

Section 2.2--Ratifying Other Actions. All other actions taken or to be taken by the Executive Director and the Department's staff in connection with the Series 1994 Mortgage Certificates are hereby ratified and confirmed.

ARTICLE III
GENERAL PROVISIONS

Section 3.1--Purposes of Resolution. The Governing Board of the Department has expressly determined and hereby confirms that the sale of the Series 1994 Mortgage Certificates contemplated by this Resolution will accomplish a valid public purpose of the Department by providing for the housing needs of persons and families of low, very low and extremely low income and families of moderate income in the State.

Section 3.2--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

Section 3.3--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

PASSED AND APPROVED this 9th day of September, 2004.

Elizabeth Anderson, Chair

ATTEST:

Delores Groneck, Secretary

(SEAL)

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
SEPTEMBER 9, 2004

Action Items

Request approval of 2004 HOME Investment Partnerships (HOME) Program Award Recommendation, totaling an award in the amount of $156,000.

Required Action

Approve the HOME Program Award Recommendation.

Breakdown and Recommendations

Summary
The City of Bartlett scored a total of 132 points on application #2004-0172. This was the highest scoring Homebuyer Assistance (HBA) applicant in Region 7, under the Rural Area Type. This award recommendation should have been presented with the August Board recommendations, but was inadvertently excluded.

The Department reserves the right to deobligate funds according to Title 10 of the Texas Administrative Code, Section 53.62(c). The Department, with approval of the Board, may elect to reassign funds following the Deobligation Policy, adopted by the Board on January 17, 2002, in the order prioritized as follows:

(A) Successful appeals (as allowable under program rules and regulations), or
(B) Disaster Relief (disaster declarations or documented extenuating circumstances such as imminent threat to health and safety), or
(C) Special Needs, or
(D) Colonias, or
(E) Other projects/uses as determined by the Executive Director and/or Board including the next year's funding cycle for each respective program.

All successful appeals have been awarded, as have all pending Disaster Relief applications. There are currently no Colonia or Special Needs applications proposed that may utilize deobligated funds. According to the Deobligation Policy, this recommendation can be funded under priority (E), other projects/uses as determined by the Executive Director and/or Board, as follows:

Application Number	Applicant	Region	Serving	Activity	Project Funds Requested	Score	Project Funds Recommended	Units Rec'd
2004-0172	City of Bartlett	7	General	HBA	$150,000.00	132.00	$150,000.00	23

Project Costs:	$150,000.00
4% Administrative Fee:	$ 6,000.00
Total Costs:	$156,000.00

Recommendation
Staff recommends approval of application #2004-0172 utilizing deobligated HOME Investment Partnerships Program funds. Staff also recommends and requests approval of 4% administrative funds, based on the amount of project dollars recommended.

SINGLE FAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
SEPTEMBER 9, 2004

Action Items

Request approval of 2004 HOME Investment Partnerships (HOME) Program Award Recommendation, totaling an award in the amount of $520,000.

Required Action

Approve the HOME Program Award Recommendation.

Breakdown and Recommendations

Summary
The City of Cotulla appealed to the Executive Director the score awarded on the 2004 Single Family HOME Application for Owner Occupied Housing Assistance (OCC) #2004-0124. Application #2004-0124 received 116 out of a total of 137 points. The City of Cotulla requested an additional 5 points be awarded for having not received a previous HOME award.

According to the application guidelines, an applicant would be awarded points accordingly:

- Applicant has never received a HOME award = 5 points
- Applicant received a HOME award prior to the 2002-2003 funding cycle = 1 point
- Applicant received a HOME award in the 2002-2003 funding cycle = 0 points

Application #2004-0124 was awarded zero points since they had received a Disaster Relief award in 2003. This was clearly in error. The City of Cotulla should not have been penalized for having received a Disaster Relief award. Applicants receiving Disaster Relief or Olmstead funds were not to be penalized, as these awards serve very specific populations and could not assist the community at large.

The Executive Director approved staff's recommendation to award the additional five points and the appeal for an award recommendation be approved. The applicant would have received a funding recommendation if originally awarded the five points. The City of Cotulla would have been the third highest scoring applicant and would have been recommended for the full number of project funds requested.

The Department reserves the right to deobligate funds according to Title 10 of the Texas Administrative Code, Section 53.62(c). The Department, with approval of the Board, may elect to reassign funds following the Deobligation Policy, adopted by the Board on January 17, 2002, in the order prioritized as follows:

(A) Successful appeals (as allowable under program rules and regulations), or
(B) Disaster Relief (disaster declarations or documented extenuating circumstances such as imminent threat to health and safety), or
(C) Special Needs, or
(D) Colonias, or
(E) Other projects/uses as determined by the Executive Director and/or Board including the next year's funding cycle for each respective program.

According to the Deobligation Policy, this appeal can be funded under priority (A), successful appeals, as follows:

Application Number	Applicant	Region	Serving	Activity	Project Funds Requested	Score	Project Funds Recommended	Units Rec'd
2004-0124	City of Cotulla	11	Special Needs	OCC	$500,000.00	121.00	$500,000.00	10

Project Costs: $500,000.00
4% Administrative Fee: $ 20,000.00
Total Costs: $520,000.00

Recommendation
Staff recommends approval of application #2004-0124 utilizing deobligated HOME Investment Partnerships Program funds. Staff also recommends and requests approval of 4% administrative funds, based on the amount of project dollars recommended.

COMMUNITY AFFAIRS DIVISION
SECTION 8 PROGRAM

BOARD ACTION REQUEST
SEPTEMBER 9, 2004

Action Item

Discussion of and possible action regarding the Texas Department of Housing and Community Affairs' (the Department) Section 8 Housing Assistance Program.

Required Action

Request Board Approval to: (1) Relinquish Five Hundred Seventy Six (576) Section 8 Housing Choice Vouchers to the Fort Worth Office of U. S. Department of Housing and Urban Development (HUD) and (2) Request that HUD transfer those 576 vouchers to Brazoria County Public Housing Authority (BCPHA).

Background

The Department administers HUD's Section 8 Housing Assistance Program (HAP) in order to provide housing choice vouchers in areas where there is no Public Housing Authority (PHA) or in areas that have requested that the Department administer their Section 8 housing choice vouchers.

Brazoria County currently is a local operator of the Department's Section 8 rental assistance program. Brazoria County created, and HUD subsequently certified, the Brazoria County Public Hosing Authority (BCPHA) as a legal entity to administer Section 8 vouchers. Brazoria County has requested that the Department relinquish to BCPHA the vouchers currently administered by Brazoria County. The first step in this process is for the Board to approve the relinquishment of 576 vouchers to HUD on the condition that the vouchers are released to BCPHA. If the TDHCA Board approves this resolution, and HUD agrees to allow the Department to relinquish the vouchers, the Department will work with HUD and Brazoria County to insure that no client loses their housing assistance during this transition while also working to expedite the completion of the transfer of vouchers. This transfer will include the termination of the current local operator contracts with Brazoria County and the transfer of active client files from the Department to Brazoria County Public Housing Authority.

Recommendation

Staff recommends that the Board of the Texas Department of Housing and Community Affairs approve Resolution Number 04-63, relinquishing 576 vouchers to HUD on the condition that HUD releases the vouchers to BCPHA.

RESOLUTION NUMBER _04-63

RESOLUTION OF THE BOARD OF DIRECTORS FOR SECTION 8 HOUSING CHOICE VOUCHERS

WHEREAS, the Texas Department of Housing and Community Affairs (the "Department") has been duly created and organized pursuant to Chapter 2306, Texas Government Code, as amended (the "Act"), for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low and very low income (as defined in the Act) and families of moderate income (as described in the Act and determined by the Governing Board of the Department);

WHEREAS, the U. S. Department of Housing and Urban Development (HUD) has recognized Brazoria County as an independent Public Housing Authority;

WHEREAS, the Governing Board wishes for Section 8 vouchers to be administered locally where feasible;

WHEREAS, Brazoria County Public Housing Authority wishes to administer the Section 8 Housing Assistance Voucher Program in that county; and

WHEREAS, this transfer may allow for the housing needs of more individuals and families of low and very low income to be met;

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

Section 1: Approval and Adoption of Voucher Relinquishment:. The Governing Board hereby approves and adopts the relinquishment of 576 Section 8 vouchers to HUD on the condition that they be released to the Brazoria County Public Housing Authority.

Section 2: Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 3: Declaration as to Open Meetings; Open Records. Written notice of the date, hour and place of the meeting of the Governing Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State and posted for at least seven (7) days preceding the convening of such meeting, on a bulletin board in the main office of the Secretary of State located at a place convenient to the public; that such place was readily accessible to the general public at all times from the time of such posting until the convening of such meeting; 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; 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 Procedures Act and Texas Register and Administrative Code, Chapters 2001 and 2002, Texas Government Code, respectively.

PASSED AND APPROVED this 9th day of September, 2004.

____

Chair of the Governing Board

ATTEST:

____

Secretary to the Board

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
September 9, 2004

Action Items

Final adoption of amendment to the 2004 Housing Tax Credit Qualified Allocation Plan and Rules (QAP), Title 10, Part 1, Chapter 50, and withdrawal of current Emergency Amendment.

Required Action

Approve final adoption of amendment to the 2004 QAP and withdrawal of current Emergency Amendment.

Background

At the July 8, 2004 Board meeting, the Board adopted the Emergency Amendment to the 2004 QAP based on Texas Attorney General Opinion No. GA-0208. At the same meeting the Board approved a proposed identical amendment for public comment ("Non-emergency 2004 QAP Amendment."). (At the July 28, 2004 Board meeting the Board adopted an identical Emergency Amendment to the 2004 QAP in order to provide an expanded preamble and approved withdrawal of the then current Emergency Amendment). The Non-emergency 2004 QAP Amendment was published in the July 23, 2004 Texas Register for public comment. Only one comment was received. The comment from Tim Smith suggested that TDHCA award points to applicants proposing to provide 30% AMGI units regardless of whether the units are subsidized by a third party. Staff does not recommend this change because it believes a third party subsidy helps support the financial feasibility of the 30% AMGI units. Staff also believes that only changes that are required by AG Opinion No. GA-0208 should be made at this time in the Tax Credit cycle.

Staff recommends adoption with no changes of the Non-emergency 2004 QAP Amendment and withdrawal of the current Emergency Amendment.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 9, 2004

Action Items

Board Approval of Staff Recommendation to Issue Commitments for the Allocation of Housing Tax Credits from the 2004 Credit Ceiling.

Required Action

Approve, or approve with amendments, the allocation of 2004 Housing Tax Credit Ceiling.

Background and Recommendations

This item is comprised of two components:

I. AIMCO Capital Request for Development Replacement
In the attached letter, AIMCO Capital (AIMCO) has requested that the Department approve their request to return their credit commitment on Copperwood Apartments (#04098) in the amount of $1,057,335 and issue a credit commitment on Tamarac Pines Apartments (#04108) in the amount of $911,804. Copperwood Apartments had been approved for credits from the Region 6 Urban/Exurban Allocation and was recommended to satisfy the At-Risk Set-Aside. However due to a more urgent need to rehabilitate Tamarac Pines, and to satisfy an upcoming HUD inspection, they would like to receive the credits for Tamarac Pines. The Applicant was precluded from receiving allocations on both of these developments due to the $2 million Credit Cap and because the At-Risk Set-Aside in Region 6 is fully satisfied with only one of these developments. While in this case, the Applicant is the same, staff would like to note that the development being requested for replacement, Tamarac Pines, would be the next application selected due to its score and need to fulfill the At-Risk Set-Aside. By replacing the developments as noted above, credits in the amount of $145,531 were returned. Staff recommends this replacement.

II. Allocation of 2004 Credit Ceiling
The Department has **$2,042,616** of 2004 Credit Ceiling still to be allocated. The source of these funds is as follows:

× Internal Revenue Service (IRS) Revenue Procedure 2004-52 was published by the IRS which allocates National Pool credits to eligible states. The state of Texas is allocated **$572,331** to be attributed to its 2004 Credit Ceiling.

× The credits approved on July 28, 2004 were based on the Requested Credit Amounts; however ultimately each Commitment Notice was issued with a Recommended Amount, which is the underwritten amount. Those credit reductions across all developments and across all regions yield available credits in the amount of **$1,470,285**. This figure already includes the adjustment for the AIMCO development replacement above.

To allocate this amount, staff first went back to ensure that all set-asides were satisfied. Based on the Recommended Credit amounts, the Nonprofit Set-Aside was still achieved, and in each region for which there were eligible applications in the set-asides, the USDA Allocation and At-Risk Set-Aside were achieved, with two exceptions. The two exceptions are noted below. Staff recommends that the next highest scoring development in those regions in those set-asides be allocated credits to ensure that all set-asides are satisfied. These two recommendations total $724,125.

Region Number	Set-Aside/ Allocation	Targeted Regional Amount	Credits Committed (Rec. Amt.)	Amount and % Under	Development to Add and Alloc. Type	Credits Requested
6	USDA	$489,437	$462,624	$26,813 5.5%	West Side Place (#04292) Rural	$84,339
9	At-Risk	$473,421	$419,397	$54,024 11.4%	Las Palmas Gardens (04074) Urban/Exurban	$639,786

Staff then reevaluated each of the 26 Regional Allocations to identify which regions, based on the Recommended Credit Amounts (the underwritten amounts), were most affected. We determined this by calculating the percentage that each of the 26 Regional Allocations was "under" by not receiving their targeted allocation amounts. Eleven of the 26 regional allocations were over their targeted amounts. The remaining 15 areas are reflected below – this list is provided in descending order based on the percentage under the area was (the area the most under the amount it was targeted to receive is listed first).

Region/ Alloc	Targeted For RAF	Credit Recs 7/28	Difference	Percent Under
3R	$480,034	$170,909	$309,125	64.40%
13UE	$1,642,550	$822,778	$819,772	49.91%
9R	$885,772	$690,888	$194,884	22.00%
4UE	$745,623	$605,490	$140,133	18.79%
10UE	$1,005,961	$846,083	$159,878	15.89%
11UE	$2,806,450	$2,424,665	$381,785	13.60%
12UE	$742,277	$647,355	$94,922	12.79%
2UE	$611,055	$535,250	$75,805	12.41%
6UE	$8,894,515	$8,077,710	$816,805	9.18%
8UE	$1,722,055	$1,593,094	$128,961	7.49%
5R	$845,109	$791,114	$53,995	6.39%
8R	$457,956	$440,733	$17,223	3.76%
4R	$1,201,626	$1,157,603	$44,023	3.66%
3UE	$6,882,146	$6,689,195	$192,951	2.80%
7UE	$1,592,302	$1,556,927	$35,375	2.22%

After deducting the two developments recommended to satisfy the set-asides, the balance of 2004 Credit Ceiling available is **$1,318,491**. Staff recommends allocating credits to the next highest scoring developments in descending order from the chart above, until the credits have been utilized. It should be noted that in Region 13 there are no additional developments eligible for credits and therefore Region 13 is not reflected below. This would result in the following recommendations.

Region/ Alloc.	Development Name	Development #	Credits Requested
3 / Rural	Churchill at Commerce	04118	$727,212
9 / Rural	Friendship Place	04008	$473,144

These recommendations total $1,200,356 and leave a balance of credits of $118,135. The next region to be allocated in this process would be 4 Urban/Exurban, however, the next development in that region is Tyler Senior Apartment Community which requested $638,196. As the credits available are substantially lower than the request, staff recommends that the minimal balance of $118,135 be "saved" and rolled into any returned developments over the next several months.

For all developments recommended in this item:

- × Developments not yet underwritten must still be found to be Acceptable, or Acceptable with Conditions, by Real Estate Analysis.
- × Credit amounts and conditions are subject to change based on underwriting and underwriting appeals.
- × Allocations remain subject to review by the Compliance Division to ensure no issues of Material Non-Compliance exist.

A list of all Applications, divided into those awarded and those not awarded, by region is provided for your information as you consider this item.

AIMCO Capital

August 23, 2004

Ms. Brooke Boston
Director of Multi-Family Finance Production Division
Texas Department of Housing and Community Affairs
507 Sabine, Suite 300
Austin, Texas 78701

Subject: Copperwood Apartments (TDHCA #04098)
and
Tamarac Pines Apartments (TDHCA #04108)

Dear Ms. Boston:

We have received the enclosed Commitment Notice **(Exhibit A)** for Copperwood Apartments (TDHCA #04098). Copperwood Apartments is a 300 unit elderly development located in The Woodlands that was awarded 2004 tax credits from the "at-risk" set-aside in Region Six. In 2004, AIMCO submitted a total of four tax credit applications. The applications included another 300 unit "at-risk" elderly development in The Woodlands called Tamarac Pines (TDHCA #04108). Copperwood Apartments and Tamarac Pines applications each attained a final competitive score of 137 points, but due solely to the $2,000,000 annual credit cap limitation, only one of these developments could receive a commitment (AIMCO also received credit awards for Pleasant Hill Apartments in Region 7 and Whitefield Place Apartments in Region 9). Copperwood Apartments was awarded a commitment rather than Tamarac Pines, although the final scoring notice **(Exhibit B)** includes a reference to the $2 million dollar credit cap that seems to indicate the Department is indifferent as to which deal should receive a commitment.

While we are appreciative of the credit award on Copperwood Apartments, we desire that such award be "transferred" in an appropriate amount to Tamarac Pines. The aesthetic needs of Tamarac Pines are more prominent than those of Copperwood Apartments. In fact, HUD recently informed us of aesthetic items at Tamarac Pines that must be cured immediately (at an estimated cost of over $200,000) in order to satisfy an upcoming HUD inspection.

I discussed this issue with Tom Gouris last week, who indicated that both Copperwood and Tamarac appear financially feasible to the Underwriting Department and that such department was indifferent as to which property it would recommend for a credit reservation. I believe our request for a "transfer" may also serve to fund other 2004 proposals as the annual credit amount applied for on Copperwood Apartments was $1,057,335 compared to $911,804 on Tamarac Pines.

6100 Center Drive • Suite 800 • Los Angeles, CA 90045 • Telephone (310) 258-5100 • Facsimile (310) 258-5182

We respectfully request the Department to issue a 2004 Commitment to Tamarac Pines rather than Copperwood Apartments. While we await the Department's decision, we will submit the general documentation required in the Commitment Notice for both Copperwood and Tamarac. We will also submit a commitment fee based upon the larger amount due on the two developments (Copperwood Apartments).

We look forward to the Department's decision.

Sincerely,

Paul Patierno
Vice President
Tax Credit Redevelopment

Encl.

cc: Edwina P. Carrington (TDHCA)
Tom Gouris (TDHCA)

Exhibit A

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

WWW.TDHCA.STATE.TX.US

2004 HOUSING TAX CREDIT COMMITMENT NOTICE

Issued to the Development Owner: Copperwood Preservation, L.P.

Contact Person: Paul Patierno

Contact Address: 6100 Center Drive, Ste. 800
Los Angeles, California 90045

Contact Phone/Fax: (310) 258-5122 / (310) 258-5177

Development Name and TDHCA #: **Copperwood Apartments, TDHCA#04098**

Development Address: 4407 South Panther Creek Dr.
The Woodlands, TX 77381
Located in Montgomery County in Region 6

Set Asides: ☑ At-Risk Set-Aside ☐ Non-Profit Set-Aside

Allocation Category: Urban/Exurban ☐ USDA Allocation

Annual Housing Credit Allocation Commitment Amount: **$1,006,263**

Issuance Date of Commitment Notice: August 16, 2004

Effective Date of Commitment Notice: July 28, 2004

Expiration Date of Commitment Notice: **August 26, 2004**

Pursuant to Internal Revenue Code Section 42, the Texas Department of Housing and Community Affairs (the "Department") has approved the application for an allocation of low income housing tax credits from the 2004 credit ceiling from the Development Owner named above for the housing development described above ("Development"). This Commitment Notice confirms the Department's commitment to make an allocation of tax credits to the proposed Development in the Housing Credit Allocation Commitment Amount set forth above. This Commitment Notice does not constitute an allocation of low income housing tax credits. The allocation will be made only through the Department's execution and delivery of Internal Revenue Service Forms 8609.

This Commitment is subject to the Development Owner's full compliance with the Department's 2004 Housing Tax Credit Qualified Allocation Plan and Rules (Rules), Chapter 50 of Title 10 of the Texas Administrative Code, (the "Rules"); all applicable state and federal law, including Internal Revenue Code Section 42; and other relevant regulations and pronouncements of the Internal Revenue Service. In addition to compliance with applicable state and federal law, the Department's issuance of Forms 8609 will be dependent upon the Development Owner's compliance with the terms of the Application and this Commitment Notice, including the implementation of all representations and covenants made by the Development Owner, whether express or implied, and specifically including all pledges made regarding the construction and operation of the Development, and any other conditions set forth in Exhibit "A" of this Commitment Notice. This Commitment Notice is binding on all successors.

The Housing Credit Allocation Amount is the maximum annual allocation, within the meaning of §50.17(b) of the Rules, that will be allocated to the building or buildings comprising the Development.

☐ If this box is checked, this Commitment Notice contemplates the making of an allocation pursuant to the Department's set-aside of credit authority for "qualified nonprofit organizations" within the meaning of the Rules and the Code, and subject to the terms and conditions set forth therein.

The Department reserves the right to revoke this Commitment Notice if the Department determines that the Development Owner has intentionally or negligently provided erroneous, misleading, or fraudulent information to the Department in connection with the application for low income housing tax credits.

EXHIBIT "A"

1. Failure to submit the documentation described below by the specified submission dates may result in the termination of the commitment made by this letter:

A. No later than August 26, 2004, which is the expiration date of this notice, Applicant must provide all of the following items to the Department:

I. The original, signed Commitment Notice.
II. In accordance with §50.21(f) of the Rules, a check for the Commitment Fee in the amount of: **$40,251**
III. In accordance with §50.21(h) of the Rules, a check for the Building Inspection Fee in the amount of: **$750**
IV. An IRS Form 8821 signed and executed by each person or entity with an ownership interest in the Development Owner. Note that if any issues of recapture or non-disclosure are identified, the Board may determine not to issue a Carryover Allocation.
V. In accordance with §50.9(f)(7)(B) of the Rules, evidence of final approval of appropriate zoning. If the required evidence is not provided, this notice will be rescinded.

B. All documents outlined in the Carryover Allocation Procedures Manual relating to the execution of a Carryover Allocation Agreement pursuant to Section 42(h)(1)(C) of the Internal Revenue Code must be submitted no later than 5:00 p.m. on November 1, 2004.

C. All documents outlined in the 10% Test Procedures Manual relating to the 10% test pursuant to Section 42(h)(1)(E)(i) and (ii) of the Internal Revenue Code must be submitted by 5:00 p.m. on June 30, 2005. The documents must confirm that all expenditures required to meet the 10% test were incurred no later than six months from the effective date stated in the Carryover Allocation Agreement executed by the Department and the Development Owner.

D. In accordance with §50.15(a) of the Rules, the Development Owner shall submit evidence of having closed the construction loan no later than June 1, 2005. Evidence of closing must be provided in compliance with the instructions in the HTC Progress Report – Construction Loan Closing and supporting documentation. Evidence also required no later than June 1, 2005 includes:

I. A Management Plan
II. An Affirmative Marketing Plan
III. Evidence that the Development Owner and the architect for the Development have each attended eight hours of fair housing training on or before the date the construction loan closed.
IV. The certification concerning compliance and satisfaction of all design standards from the architect for the Development in accordance with §50.9(f)(4) of the Rules.
V. Evidence that the General Contractor hired by the Development Owner meets the experience criteria defined by §50.17(c) of the Rules in the form of the Post Application - General Contractor Certification Form and supporting documentation.

E. Evidence that the Development Owner has commenced and will continue substantial construction activities for the Development as further described in §50.15(b) of the Rules must be provided to the Department not later than December 1, 2005. Evidence of such activities must be provided in the form of the HTC Progress Report - Commencement of Construction and supporting documentation.

F. In accordance with Section 42(h)(1)(E)(i) of the Code, all Buildings in the Development must be placed in service no later than December 31, 2006.

G. Extensions to the deadlines itemized in paragraphs A, B, D and E may be requested in accordance with §50.21(k) of the Rules and must be submitted at least 20 days prior to the dead line for which the extension is requested

H. This Commitment is subject to the following development-specific conditions. Unless otherwise stated within the specific condition, the documentation required to satisfy each condition must be submitted to the Department no later than 5:00 p.m. on November 1, 2004.

i) 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.

ii) Receipt, review, and acceptance of an O&M plan for removal and/or maintenance of asbestos contained material (vinyl floor tiles).

iii) Receipt, review, and acceptance of evidence that measures have been taken to remove the mold contaminated drywall, and that appropriate cleaning has been completed to eliminate the problem.

iv) Receipt, review, and acceptance of written consent to rely upon the PCA provided by Pond, Robinson & Associates LP and a revision to the report to evaluate future needs for a full 30 years prior to carryover.

v) Receipt, review, and acceptance of an initial reserve account of at least $200,000 prior to closing.

vi) Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

vii)

2. In addition to the requirements of Code Section 42, Development Owner hereby agrees and acknowledges that the pledges, conditions, restrictions, representations, and obligations which the Development Owner undertook in applying for an allocation will be incorporated into a Land Use Restriction Agreement or other applicable document with respect to the Development. Such Land Use Restriction Agreement or document will also incorporate provisions requiring compliance with the Code and with Chapter 2306, Tex. Gov. Code (the "Act"), including but not limited to requirements for: annual reporting and periodic inspections; payment of the fees, charges, and expenses of the Department in connection with monitoring and compliance activities; management, operating, maintenance, and repair standards; tenant selection and income certification; limitations on rents, charges, and fees payable by tenants; cost controls and management selection; and a minimum thirty-year affordability period, or the period stated in the Application, whichever is greater.

Brooke Boston 8/16/04

Brooke Boston, Director of Multifamily Finance Production Date

I (We), Developement Owner, hereby agree to abide by all terms and conditions stated in this Commitment Notice, Exhibit "A," and any referenced documentation contained herein. I (We), hereby acknowledge that failure to comply with the Commitment Notice, Exhibit "A," and any referenced documentation contained herein may result in the automatic termination of this application for low income housing tax credits.

Development Owner Date Development Owner Printed Name, Title

Exhibit B

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment

Region: 6

Allocation Information for Region 6: **Total Credits Available for Region: $9,788,743** **Rural Allocation: $894,228** **Urban/Exurban Allocation: $8,894,515**

5% Required for USDA $489,437 **15% Required for At-Risk: $1,468,311**

Applications Submitted in Region 6: **U/E[6]**

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04268	6	A	Lansbourough Apartments	10050 Cullen Blvd.	Houston	NC	☐	☐	☐	141	176	F	$1,084,983	Margie Bingham	157	NA	Competitive in Region
04160	6	A	Village on Hobbs Road	6000 Hobbs Road	League City	NC	☐	☐	☐	80	100	E	$552,528	Thomas Scott	153	NA	Competitive in Region
04079	6	A	Baybrook Park Retirement Center	500 Texas Avenue West	Webster	NC	☐	☐	☐	80	100	E	$450,043	Barry Kahn	152	NA	Competitive in Region
04200	6	A	Alvin Manor Estates	917 E. Hwy 6	Alvin	NC	☐	☐	☐	28	36	F	$251,978	Elizabeth Young	151	NA	Competitive in Region
04203	6	A	Alvin Manor	837 E. Highway 6	Alvin	NC	☐	☐	☐	28	36	F	$177,273	Elizabeth Young	151	NA	Competitive in Region
04213	6	A	Village at Morningstar	3401 Magnolia Avenue	Texas City	NC	☐	☐	☐	90	100	E	$537,331	Diana McIver	149	NA	Competitive in Region
04206	6	A	Lake Jackson Manor	100 Garland	Lake Jackson	NC	☐	☐	☐	80	100	E	$409,155	Elizabeth Young	145	NA	Competitive in Region
04224	6	A	Commons of Grace Senior	8900 Block of Tidwell	Houston	NC	☐	☐	☐	86	108	ET	$759,068	Deepak Sulakhe	145	04041	Competitive in Region
04024	6	A	South Union Place	7210 Scott Street	Houston	NC	☐	☐	☐	100	125	ET	$739,345	John Barineau, III	142	NA	Competitive in Region
04085	6	A	Redwood Heights Apartments	7300 Block of Jensen Driven	Houston	NC	☐	☐	☐	76	96	F	$600,146	Rick Deyoe	141	NA	Competitive in Region
04167	6	A	Oxford Place	605 Berry Road	Houston	NC	☐	☑	☑	200	250	F	$1,200,000	Ernie Etuk	141	04188	At-Risk and Nonprofit
04255	6	A	Freeport Oaks Apartments	NE Corner of Avenue J & Skinner St.	Freeport	NC	☐	☐	☐	80	100	F	$721,599	Les Kilday	140	NA	Competitive in Region
04098	6	A	Copperwood Apartments	4407 South Panther Creek Dr.	The Woodlands	ACQ/R	☐	☐	☑	300	300	E	$1,057,335	Paul Patierno	137	NA	At-Risk
						Subtotal:				**1,369**	**1,627**		**$8,540,784**				

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment
04041	6	N	Mesa Senior's Apartments	9700 Block of Mesa Road	Houston	NC				120	150	E	$1,132,759	Sally Gaskin	143	04224	Violates 1 Mile - 1 Year with 04224
04210	6	N	Westview Place	Westview Blvd and Montgomery Park Blvd.	Conroe	NC		✓		28	36	F	$228,852	Emanuel Glockzin	143	NA	Not Financially Feasible
04188	6	N	Ambassador North Apartments	8210 Bauman	Houston	NC/AC				91	114	F	$486,067	Amay Inamdar	141	04167	Violates 1 Mile - 1 Year with 04167
04108	6	N	Tamarac Pines Apartments	10510 Six Pines Drive	The Woodlands	ACQ/R			✓	300	300	E	$911,804	Paul Patierno	137	NA	$2 million cap violation
04214	6	N	Las Villas de Magnolia	7123 Capitol Street	Houston	NC		✓		104	116	E	$681,856	Rogelio Santos	137	NA	
04270	6	N	Essex Gardens Apartments	800 Columbus Road	Sealy	NC				109	136	F	$654,654	Brian Cogburn	137	NA	
04060	6	N	Providence Place Apartments	20300 Saums Road	Katy	NC		✓		139	174	E	$772,798	Chris Richardson	135	NA	
04156	6	N	College Street Apartments	College Street near FM 2218	Richmond	NC		✓		80	100	F	$507,651	Lucy Hancock	134	NA	
04267	6	N	Brentwood Apartments	W. Hardy. Rd. and Langwick	Houston	NC				80	100	E	$799,000	Angie Stahl	131	NA	
04235	6	N	Crescent Moon	7720 Emmett Lowry Expressway	Texas City	NC		✓		140	180	F	$754,845	Manish Verma	122	NA	
04103	6	N	Countryside Village	625 Wilson Rd.	Humble	ACQ/R			✓	182	182	F	$414,315	Lisa Castillo	118	NA	
04059	6	N	Asbury Commons Apartments	8526 Pitner Road	Houston	NC		✓		83	104	F	$706,862	Chris Richardson	116	NA	
04064	6	N	Ramah Village	6501 E. Little York	Houston	NC				80	80	FT	$924,991	Eddie Winslow	99	04063	
04063	6	N	Depriest Gardens	6701 E. Little York	Houston	NC				120	120	FT	$1,136,358	Earnest Williams	97	04064	
							Subtotal:			**1,656**	**1,892**		**$10,112,812**				
							Total:			**3,025**	**3,519**		**$18,653,596**				

2004 Housing Tax Credit Allocations - Approved by TDHCA Board on July 28, 2004
Sorted by Region

Region: 1

Allocation Information for Region 1:	**Total Credits Available for Region:** $1,704,279	**Rural Allocation:** $805,212	**Urban/Exurban Allocation:** $899,067
		5% Required for USDA $85,214	**15% Required for At-Risk:** $255,642

Applications Submitted in Region 1: U/E[6]

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment
04057	1	A	Stone Hollow Village	E. Cornell & Martin Luther King Jr. Blvd.	Lubbock	NC	☐	☑	☐	112	140	F	$845,849	Ron Hance	145	NA	High Score Nonprofit
04088	1	A	South Plains Apartments	5520 58th Street	Lubbock	ACQ/R	☐	☐	☑	144	144	F	$379,812	Gary Hall	113	NA	At-Risk
							Total:			**256**	**284**		**$1,225,661**				

Applications Submitted in Region 1: R[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04154	1	A	Plainview Vistas	3200 Block of Lexington	Plainview	NC	☐	☐	☐	60	76	F	$668,428	Cathy Graugnard	142	NA	Competitive in Region
04295	1	A	La Mirage Villas	309 SE 15th	Perryton	ACQ/R	☑	☐	☑	47	47	F	$173,281	Patrick Barbolla	94	NA	USDA
							Total:			**107**	**123**		**$841,709**				
4	**Allocations in Region**						**Region Total:**			**363**	**407**		**$2,067,370**				

Region: 2

Allocation Information for Region 2:	**Total Credits Available for Region:** $1,122,652	**Rural Allocation:** $511,597	**Urban/Exurban Allocation:** $611,055
		5% Required for USDA $56,132	**15% Required for At-Risk:** $168,398

Applications Submitted in Region 2: U/E[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04241	2	A	Anson Park II	3102 Old Anson Road	Abilene	NC	☐	☐	☐	64	80	F	$535,250	R.J. Collins	147	NA	Competitive in Region. Wins Tie with 04172
							Total:			**64**	**80**		**$535,250**				

Applications Submitted in Region 2: R[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04246	2	A	Wildwood Trails Apartments	McClain & Looney Street	Brownwood	NC	☐	☐	☐	75	75	F	$558,403	Justin Zimmerman	130	NA	Competitive in Region
							Total:			**75**	**75**		**$558,403**				
2	**Allocations in Region**						**Region Total:**			**139**	**155**		**$1,093,653**				

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment

Region: 3

Allocation Information for Region 3: **Total Credits Available for Region:** $7,362,180 **Rural Allocation:** $480,034 **Urban/Exurban Allocation:** $6,882,146

5% Required for USDA $368,109 **15% Required for At-Risk:** $1,104,327

Applications Submitted in Region 3: U/E[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04026	3	A	Oak Timbers-White Settlement II	8301 Tumbleweed Trail	White Settlement	NC		✓		80	100	E	$417,280	Vaughan Mitchell	150	NA	High Score Nonprofit
04028	3	A	Heritage Park	1916 N. S.H. 91	Denison	NC				100	100	F	$501,577	Steve Rumsey	147	NA	Competitive in Region
04105	3	A	Preston Trace Apartments	8660 Preston Trace Blvd	Frisco	ACQ/R			✓	38	40	F	$140,298	Dan Allgeier	146	NA	At-Risk
04058	3	A	Spring Oaks Apartments	4317 & 4321 Shepherd Ln.	Balch Springs	NC				128	160	F	$850,235	Ron Pegram	141	NA	Competitive in Region
04109	3	A	Frazier Fellowship	Blocks 4700-4900 Hatcher St.	Dallas	NC			✓	60	76	F	$547,378	Lester Nevels	140	NA	At-Risk
04089	3	A	Villas of Forest Hill	7400 Block of Forest Hill Drive	Forest Hill	NC				78	100	E	$424,859	Deborah Griffin	138	NA	Competitive in Region
04093	3	A	Villas of Seagoville	600 Block of East Malloy Bridge Rd.	Seagoville	NC				78	100	E	$428,270	Deborah Griffin	137	NA	Competitive in Region
04157	3	A	Samaritan House	929 Hemphill Ave.	Fort Worth	NC/AC		✓		126	126	F	$819,331	Thomas Scott	137	NA	Competitive in Region
04151	3	A	Renaissance Courts	308 S. Ruddell Street	Denton	NC				120	150	F	$993,822	Shirley Hensley	129	NA	Competitive in Region
04222	3	A	Primrose at Highland	2100 Block of Highland Avenue	Dallas	NC		✓		120	150	E	$935,153	Deepak Sulakhe	129	NA	Competitive in Region
04147	3	A	Shiloh Village Apartments	8702 Shiloh Road	Dallas	ACQ/R			✓	168	168	F	$800,000	Chad Cooley	112	04223	At-Risk
							Total:			**1,096**	**1,270**		**$6,858,203**				

Applications Submitted in Region 3: R[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04288	3	A	Briarwood Apartment	513 E. 6th Street	Kaufman	ACQ/R	✓		✓	48	48	F	$173,148	Patrick Barbolla	91	NA	USDA
							Total:			**48**	**48**		**$173,148**				

12 Allocations in Region **Region Total:** **1,144** **1,318** **$7,031,351**

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment

Region: 4

Allocation Information for Region 4:			
Total Credits Available for Region: $1,947,249	Rural Allocation: $1,201,626		Urban/Exurban Allocation: $745,623
	5% Required for USDA $97,362		15% Required for At-Risk: $292,087

Applications Submitted in Region 4: **U/E**[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04012	4	A	Tyler Square Apartments	1007 NNW Loop 323	Tyler	ACQ/R			✓	160	160	F	$652,315	Doug Gurkin	109	NA	At-Risk
							Total:			**160**	**160**		**$652,315**				

Applications Submitted in Region 4: **R**[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04170	4	A	Gardens of Athens	314 N Wood Street	Athens	NC				32	36	E	$245,888	George Hopper	136	NA	Competitive in Region
04194	4	A	Lexington Court	3407 U.S. Highway 259 North	Kilgore	NC		✓		76	80	F	$549,640	Emanuel Glockzin	136	NA	Competitive in Region
04176	4	A	Gardens of Gladewater	108 N. Lee Drive	Gladewater	NC				34	36	E	$260,918	George Hopper	130	NA	
04285	4	A	Ole Town Apartments	501 MLK Drive	Jefferson	ACQ/R	✓			24	24	F	$117,328	Jim Fieser	36	NA	USDA
							Total:			**166**	**176**		**$1,173,774**				
			5 Allocations in Region				**Region Total:**			**326**	**336**		**$1,826,089**				

Region: 5

Allocation Information for Region 5:			
Total Credits Available for Region: $1,562,356	Rural Allocation: $845,109		Urban/Exurban Allocation: $717,247
	5% Required for USDA $78,117		15% Required for At-Risk: $234,353

Applications Submitted in Region 5: **U/E**[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04228	5	A	Stone Hearst	1650 East Lucas Drive	Beaumont	NC				83	104	F	$685,739	R.J. Collins	138	NA	Competitive in Region
04100	5	A	O.W. Collins Apartments	4440 Gulfway Drive	Port Arthur	R			✓	200	200	E	$406,999	Ike Akbari	127	NA	At-Risk
							Total:			**283**	**304**		**$1,092,738**				

Applications Submitted in Region 5: **R**[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04030	5	A	Park Estates	1200 Block	Nacogdoches	NC				34	36	F	$393,033	Mark Musemeche	147	NA	Competitive in Region
04066	5	A	Pineywoods Community Orange	36 Scattered Sites in East Orange	Orange	NC		✓		36	36	F	$411,155	Douglas Dowler	137	NA	Competitive in Region
							Total:			**70**	**72**		**$804,188**				
			4 Allocations in Region				**Region Total:**			**353**	**376**		**$1,896,926**				

Region: 6

Allocation Information for Region 6:	Total Credits Available for Region: $9,788,743	Rural Allocation: $894,228	Urban/Exurban Allocation: $8,894,515
		5% Required for USDA $489,437	15% Required for At-Risk: $1,468,311

Applications Submitted in Region 6: U/E[6]

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment
04268	6	A	Lansbourough Apartments	10050 Cullen Blvd.	Houston	NC	☐	☐	☐	141	176	F	$1,084,983	Margie Bingham	157	NA	Competitive in Region
04160	6	A	Village on Hobbs Road	6000 Hobbs Road	League City	NC	☐	☐	☐	80	100	E	$552,528	Thomas Scott	153	NA	Competitive in Region
04079	6	A	Baybrook Park Retirement Center	500 Texas Avenue West	Webster	NC	☐	☐	☐	80	100	E	$450,043	Barry Kahn	152	NA	Competitive in Region
04203	6	A	Alvin Manor	837 E. Highway 6	Alvin	NC	☐	☐	☐	28	36	F	$177,273	Elizabeth Young	151	NA	Competitive in Region
04200	6	A	Alvin Manor Estates	917 E. Hwy 6	Alvin	NC	☐	☐	☐	28	36	F	$251,978	Elizabeth Young	151	NA	Competitive in Region
04213	6	A	Village at Morningstar	3401 Magnolia Avenue	Texas City	NC	☐	☐	☐	90	100	E	$537,331	Diana McIver	149	NA	Competitive in Region
04206	6	A	Lake Jackson Manor	100 Garland	Lake Jackson	NC	☐	☐	☐	80	100	E	$409,155	Elizabeth Young	145	NA	Competitive in Region
04224	6	A	Commons of Grace Senior	8900 Block of Tidwell	Houston	NC	☐	☐	☐	86	108	ET	$759,068	Deepak Sulakhe	145	04041	Competitive in Region
04024	6	A	South Union Place	7210 Scott Street	Houston	NC	☐	☐	☐	100	125	ET	$739,345	John Barineau, III	142	NA	Competitive in Region
04167	6	A	Oxford Place	605 Berry Road	Houston	NC	☐	☑	☑	200	250	F	$1,200,000	Ernie Etuk	141	04188	At-Risk and Nonprofit
04085	6	A	Redwood Heights Apartments	7300 Block of Jensen Driven	Houston	NC	☐	☐	☐	76	96	F	$600,146	Rick Deyoe	141	NA	Competitive in Region
04255	6	A	Freeport Oaks Apartments	NE Corner of Avenue J & Skinner St.	Freeport	NC	☐	☐	☐	80	100	F	$721,599	Les Kilday	140	NA	Competitive in Region
04098	6	A	Copperwood Apartments	4407 South Panther Creek Dr.	The Woodlands	ACQ/R	☐	☐	☑	300	300	E	$1,057,335	Paul Patierno	137	NA	At-Risk
							Total:			1,369	1,627		$8,540,784				

Applications Submitted in Region 6: R[6]

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment
04002	6	A	Cricket Hollow Apartments	9700 FM 1097	Willis	NC	☐	☐	☐	150	176	0	$871,110	Brian Cogburn	200	NA	2003 Forward Commitment
04294	6	A	Lantana Ridge Apartments	2200 N. Adams St.	Beeville	ACQ/R	☑	☐	☑	55	55	F	$66,535	James Brawner	90	NA	USDA
04293	6	A	Lantana Ridge Apartments South	2200 N. Adams St.	Beeville	ACQ/R	☑	☐	☑	35	35	F	$51,980	James Brawner	86	NA	USDA
04283	6	A	Shady Oaks Apartments	506 Ellen Powell Dr.	Prairie View	ACQ/R	☑	☐	☑	40	40	E	$128,636	Keridi Cameron	40	NA	USDA
04284	6	A	Katy Manor Apartments	5360 E. 5th Street	Katy	ACQ/R	☑	☐	☑	48	48	F	$123,768	Keridi Cameron	39	NA	USDA
04279	6	A	Golden Manor Apartments	800 Avenue H	Bay City	ACQ/R	☑	☐	☑	40	40	E	$116,099	Melissa Baughman	38	NA	USDA
							Total:			368	394		$1,358,128				

Dev. #	Reg.	A [1]	Development Name	Development Address	Dev. City	Act. [2]	Set-Asides [3] USDA	NP	AR	Units LI	Total	Pop. [4]	Credits Rec. [5]	Owner Contact	Final Score	1 Mile Conflict	Comment
			19 Allocations in Region			Region Total:				1,737	2,021		$9,898,912				

Region: 7

Allocation Information for Region 7:	**Total Credits Available for Region:** $2,036,696	**Rural Allocation:**	**$444,394**	**Urban/Exurban Allocation:**	**$1,592,302**
		5% Required for USDA	**$101,834**	**15% Required for At-Risk:**	**$305,504**

Applications Submitted in Region 7: **U/E** [6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04003	7	A	Villas on Sixth Street	1900 Block of E. Sixth Street	Austin	NC	☐	☐	☐	136	160	0	$1,072,039	Martin Gonzalez	200	NA	2003 Forward Commitment
04101	7	A	Pleasant Hill Apartments	2501 Anken Dr.	Austin	ACQ/R	☐	☐	☑	100	100	F	$493,633	Paul Patierno	132	NA	At-Risk
						Total:				**236**	**260**		**$1,565,672**				

Applications Submitted in Region 7: **R** [6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04004	7	A	Kingsland Trail Apartments	4800 Block of 2900	Kingsland	0	☐	☑	☐	60	76	0	$444,394	Mark Mayfield	200	NA	2003 Forward Commitment
						Total:				**60**	**76**		**$444,394**				
			3 Allocations in Region			**Region Total:**				**296**	**336**		**$2,010,066**				

Region: 8

Allocation Information for Region 8:	**Total Credits Available for Region:** $2,180,011	**Rural Allocation:**	**$457,956**	**Urban/Exurban Allocation:**	**$1,722,055**
		5% Required for USDA	**$109,000**	**15% Required for At-Risk:**	**$327,002**

Applications Submitted in Region 8: **U/E** [6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04145	8	A	Village at Meadowbend Apartments II	Case Road at Martin Luther King Blvd.	Temple	NC	☐	☐	☐	79	99	F	$656,486	Robert Joy	149	NA	Competitive in Region
04018	8	A	Terrace Pines	819 Krenek Tap Road	College Station	NC	☐	☐	☐	80	100	E	$589,664	Michael Lankford	149	NA	Competitive in Region
04052	8	A	Chisholm Trail Senior Village	9th Street at Harris Street	Belton	NC	☐	☐	☐	54	60	E	$415,000	Leslie Holleman	149	NA	Competitive in Region
						Total:				**213**	**259**		**$1,661,150**				

Applications Submitted in Region 8: **R** [6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04152	8	A	Bluffview Villas	2800 Hwy 36 South	Brenham	NC	☐	☐	☐	76	76	E	$453,021	Samuel Tijerina	112	NA	Competitive in Region
						Total:				**76**	**76**		**$453,021**				
			4 Allocations in Region			**Region Total:**				**289**	**335**		**$2,114,171**				

Dev. #	Reg.	A [1]	Development Name	Development Address	Dev. City	Act. [2]	Set-Asides [3] USDA	NP	AR	Units LI	Total	Pop. [4]	Credits Rec. [5]	Owner Contact	Final Score	1 Mile Conflict	Comment

Region: 9

Allocation Information for Region 9: **Total Credits Available for Region:** $3,156,143 **Rural Allocation:** $885,772 **Urban/Exurban Allocation:** $2,270,371

5% Required for USDA $157,807 **15% Required for At-Risk:** $473,421

Applications Submitted in Region 9: **U/E** [6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04005	9	A	Palacio del Sol	400 North Frio	San Antonio	0	☐	☐	☐	160	200	0	$1,096,828	Fernando Godinez	200	NA	2003 Forward Commitment
04047	9	A	Stratton Oaks	Stratton Ave. & Zunker St.	Seguin	NC	☐	☑	☐	100	100	F	$590,539	Colby Denison	149	NA	High Score Nonprofit
04149	9	A	Seton Home Center for Teen Moms	1115 Mission Road	San Antonio	NC	☐	☑	☐	24	24	F	$368,360	Margaret Starkey	149	NA	High Score Nonprofit
04107	9	A	Whitefield Place Apartments	4622 Clark Avenue	San Antonio	ACQ/R	☐	☐	☑	80	80	F	$430,196	Paul Patierno	133	04073/ 04139	At-Risk
							Total:			**364**	**404**		**$2,485,923**				

Applications Submitted in Region 9: **R** [6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04007	9	A	Oaks Of Bandera	400 Block of Old San Antonio Highway	Bandera	NC	☐	☐	☐	76	76	F	$473,144	Lucille Jones	119	NA	Competitive in Region
04260	9	A	Towne Park in Fredericksburg II	1100 Block of S. Adams	Fredericksburg	NC	☐	☑	☐	39	44	E	$257,151	Mark Mayfield	118	NA	Competitive in Region
							Total:			**115**	**120**		**$730,295**				

6 Allocations in Region **Region Total:** **479** **524** **$3,216,218**

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment

Region: 10

Allocation Information for Region 10:	Total Credits Available for Region:	$1,729,075	Rural Allocation:	$723,114	Urban/Exurban Allocation:	$1,005,961
			5% Required for USDA	$86,453	15% Required for At-Risk:	$259,361

Applications Submitted in Region 10: U/E[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04290	10	A	L.U.L.A.C. Village Park	1417 Home Road	Corpus Christi	R	☐	☑	☑	152	152	F	$899,429	David Marquez	102	NA	At-Risk
							Total:			**152**	**152**		**$899,429**				

Applications Submitted in Region 10: R[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04302	10	A	Sierra Royale Apartments	601 Wright Street	Robstown	NC	☐	☐	☐	68	76	F	$529,620	Rick Deyoe	141	NA	Competitive in Region
04082	10	A	Fenner Square	Burke at Campbell Street	Goliad	NC	☐	☑	☐	32	32	F	$195,062	Gary Driggers	138	NA	
04291	10	A	Saltgrass Landing Apartments	1602 South Church Street	Rockport	ACQ/R	☑	☐	☑	55	56	F	$95,218	James Brawner	90	NA	USDA
							Total:			**155**	**164**		**$819,900**				
			4 Allocations in Region				**Region Total:**			**307**	**316**		**$1,719,329**				

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment

Region: 11

Allocation Information for Region 11: **Total Credits Available for Region:** $4,725,727 **Rural Allocation:** $1,919,277 **Urban/Exurban Allocation:** $2,806,450

5% Required for USDA $236,286 **15% Required for At-Risk:** $708,859

Applications Submitted in Region 11: U/E[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04037	11	A	Las Canteras Apartments	400 Block of East Thomas Road	Pharr	NC		✔		100	100	F	$577,000	William Skeen	158	NA	High Score Nonprofit
04036	11	A	Villa del Sol	700 East St. Charles Street	Brownsville	ACQ/R				189	200	E	$485,000	William Skeen	151	NA	Competitive in Region
04193	11	A	Providence at Edinburg	201 North 13th Ave	Edinburg	NC/AC		✔	✔	100	100	E	$361,397	Saleem Jafar	140	NA	At-Risk
04191	11	A	Providence at Boca Chica	Intersection of Ash Street & Elm Street	Brownsville	ACQ			✔	150	158	F	$1,034,927	Saleem Jafar	128	NA	At-Risk
							Total:			**539**	**558**		**$2,458,324**				

Applications Submitted in Region 11: R[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04226	11	A	Arbor Cove	2805 Fordyce Avenue	Donna	NC				108	120	F	$1,152,552	Anita Kegley	145	NA	Competitive in Region
04146	11	A	Casa Korima	SW Corner - Mile 8 Rd. at Baseline Rd.	Mercedes	NC				156	196	F	$1,182,999	Robert Joy	143	NA	Competitive in Region
04287	11	A	Vista Hermosa Apartments	820 N. Bibb	Eagle Pass	ACQ/R	✔		✔	20	20	F	$63,097	Patrick Barbolla	104	NA	USDA
04275	11	A	Bahia Palms Apartments	1303 Pino Dr.	Laguna Vista	R	✔		✔	64	64	F	$123,922	Patrick Barbolla	96	NA	USDA
							Total:			**348**	**400**		**$2,522,570**				
			8 Allocations in Region				**Region Total:**			**887**	**958**		**$4,980,894**				

Region: 12

Allocation Information for Region 12: **Total Credits Available for Region:** $1,120,138 **Rural Allocation:** $377,861 **Urban/Exurban Allocation:** $742,277

5% Required for USDA $56,006 **15% Required for At-Risk:** $168,020

Applications Submitted in Region 12: U/E[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04120	12	A	Sedona Springs Village	920 W. University	Odessa	NC				85	100	F	$652,451	Ron Hance	147	NA	Competitive in Region
							Total:			**85**	**100**		**$652,451**				

Applications Submitted in Region 12: R[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04250	12	A	Knollwood Heights Apartments	NE corner of MLK Blvd & West Mercy Dr.	Big Spring	NC				63	64	F	$457,678	Justin Zimmerman	117	NA	Competitive in Region
							Total:			**63**	**64**		**$457,678**				
			2 Allocations in Region				**Region Total:**			**148**	**164**		**$1,110,129**				

Dev. #	Reg.	A[1]	Development Name	Development Address	Dev. City	Act.[2]	Set-Asides[3] USDA	NP	AR	Units LI	Total	Pop.[4]	Credits Rec.[5]	Owner Contact	Final Score	1 Mile Conflict	Comment

Region: 13

Allocation Information for Region 13:	Total Credits Available for Region:	$1,931,031	Rural Allocation:	$288,481	Urban/Exurban Allocation:	$1,642,550
			5% Required for USDA	$96,551	15% Required for At-Risk:	$289,654

Applications Submitted in Region 13: U/E[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04001	13	A	Diana Palms	4700 Block of Diana Street	El Paso	NC	☐	☐	☐	34	36	0	$211,474	Bobby Bowling IV	200	NA	2003 Forward Commitment
04196	13	A	Americas Palms	12300 Lorenzo Ruiz Drive	El Paso	NC	☐	☐	☐	112	112	F	$635,064	Bobby Bowling IV	132	NA	Competitive in Region
							Total:			**146**	**148**		**$846,538**				

Applications Submitted in Region 13: R[6]

Dev. #	Reg.	A	Development Name	Development Address	Dev. City	Act.	USDA	NP	AR	LI	Total	Pop.	Credits Rec.	Owner Contact	Final Score	1 Mile Conflict	Comment
04197	13	A	Horizon Palms	West of Darrington Rd.	Horizon City	NC	☐	☐	☐	76	76	F	$431,206	Bobby Bowling IV	132	NA	Competitive in Region
							Total:			**76**	**76**		**$431,206**				
			3 Allocations in Region				**Region Total:**			**222**	**224**		**$1,277,744**				
			76 Total Awards							**6,690**	**7,470**		**$40,242,852**				

1. Award: A = recommended for an allocation, N = not recommended for an allocation
2. Activity: ACQ = Acquisition, R = Rehabilitation, NC = New Construction
3. Set-Asides: USDA=U.S. Department of Agriculture, NP = Nonprofit, AR = At-Risk
4. Population: E = Elderly, F = Family, ET = Elderly Transitional, FT = Family Transitional
5. Credit amounts reflected are those requested. The awarded amount will not exceed this amount. Developments approved will be conditioned on a final underwriting amount and conditions. The credit amount underwritten may be less than the credits reflected on this list.
6. Allocation: R = Rural Regional Allocation, U/E = Urban/ Exurban Regional Allocation

Housing Tax Credit Program
Board Action Request
September 9, 2004

Action Item

Request review and board determination of four (4) four percent (4%) tax credit applications with other issuers for tax exempt bond transaction.

Recommendation

Staff is recommending board approval of staff recommendations for the issuance of three (3) four percent (4%) Tax Credit Determination Notices with **other issuers** for the tax exempt bond transactions known as:

Development No.	Name	Location	Issuer	Total Units	LI Units	Total Development	Applicant Proposed Tax Exempt Bond Amount	Requested Credit Allocation	Recommended Credit Allocation
04436	Sagewood Apartments	San Antonio	Bexar County HFC	336	336	$18,574,906	$11,000,000	$596,168	$589,624
04437	Holiday Place	Houston	Harris County HFC	120	120	$13,908,560	$8,585,000	$573,260	$0
04447	Rosemont at Acme	San Antonio	Bexar County HFC	250	250	$20,859,203	$12,260,000	$844,329	$844,329
04448	Artisan at Willow Springs	San Antonio	San Antonio HFC	248	248	$21,641,043	$13,620,000	$882,718	$880,736

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 9, 2004

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Sagewood Apartments.

Summary of the Transaction

The application was received on April 21, 2004. The Issuer for this transaction is Bexar County HFC. The development is to be located at 6130 Ingram Rd. in San Antonio. The development will consist of 336 total units targeting families, with all affordable. The site is currently properly zoned for such a development. The Department received one letter in support from Senator Leticia Van de Putte and no letters in opposition. The bond priority for this transaction is:

☒ **Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and**
Set aside **50%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and**
Set aside **85%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in.
(MUST receive 4% Housing Tax Credits)

☐ **Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Sagewood Apartments.

2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Sagewood Apartments** TDHCA#: 04436

DEVELOPMENT AND OWNER INFORMATION

Development Location:	San Antonio	QCT: N	DDA: N	TTC: N
Development Owner:	SAAHC Sagewood Apartments GP, LP			
General Partner(s):	SAAHC Sagewood Apartments, GP LLC, 100%, Contact: Rod Radle			
Construction Category:	Acquis/Rehab			
Set-Aside Category:	Tax Exempt Bond Bond Issuer: Bexar County HFC			
Development Type:	Family			

Annual Tax Credit Allocation Calculation

Applicant Request: $596,168 Eligible Basis Amt: $589,624 Equity/Gap Amt.: $733,289

Annual Tax Credit Allocation Recommendation: $589,624

Total Tax Credit Allocation Over Ten Years: $ 5,896,240

PROPERTY INFORMATION

Unit and Building Information

Total Units: 336 HTC Units: 336 % of HTC Units: 100

Gross Square Footage: 254,292 Net Rentable Square Footage: 251,752

Average Square Footage/Unit: 749

Number of Buildings: 21

Currently Occupied: N

Development Cost

Total Cost: $18,574,906 Total Cost/Net Rentable Sq. Ft.: $73.78

Income and Expenses

Effective Gross Income:[1] $1,950,437 Ttl. Expenses: $1,097,159 Net Operating Inc.: $853,278

Estimated 1st Year DCR: 1.16

DEVELOPMENT TEAM

Consultant:	Diana McIver & Assoc., Inc.	Manager:	Capstone Real Estate Services
Attorney:	Holland & Knight, LLP	Architect:	Roland Hardy
Accountant:	Bill Gregory, CPA	Engineer:	Vickery & Associates, Inc.
Market Analyst:	O'Connor & Associates	Lender:	Glaser Financial Group (HUD 221(d)(3))
Contractor:	San Antonio Alternative Housing Corp.	Syndicator:	National Equity Fund

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Leticia Van de Putte, District 26 - S Rep. Joaquin Castro, District 125 - NC Mayor Ed Garza - NC Andrew W. Cameron, Director, Housing and Community Development, 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 §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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 satisfactory TDHCA site inspection report prior to Board approval.
3. Receipt, review, and acceptance of a lead-based paint study provided by a third party environmental engineer or confirmation by the Phase I ESA provider that lead based paint concerns identified in the Phase I ESA are non-existent or of such low risk as to warrant no further investigation.
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable).

______________________________ __________ ______________________________ ______

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).______________________________

____

______________________________ ____________

Edwina P. Carrington, Executive Director Date
Chairman of Executive Award and Review Advisory Committee

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

____

____

Chairperson Signature: ______________________________ ____________
Elizabeth Anderson, Chairman of the Board Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: September 1, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04436

DEVELOPMENT NAME

Sagewood Apartments

APPLICANT

Name:	SAAHC Sagewood Apartments, LP			**Type:**	For-profit		
Address:	1215 South Trinity Street			**City:**	San Antonio	**State:**	TX
Zip:	78207	**Contact:**	Rod Radle	**Phone:**	(210) 224-2349	**Fax:**	(210) 224-9686

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	SAAHC Sagewood Apartments GP, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	San Antonio Alternative Housing Corporation	**(%):**	Owner of GP	**Title:**	Member, Manager
Name:	San Antonio Alternative Housing Corporation	**(%):**	N/A	**Title:**	Developer
Name:	Larry Garza	**(%):**	N/A	**Title:**	Chairperson
Name:	Danny Hernandez	**(%):**	N/A	**Title:**	Vice Chairperson
Name:	Michael White	**(%):**	N/A	**Title:**	Secretary
Name:	Tracie Edmond	**(%):**	N/A	**Title:**	Treasurer

PROPERTY LOCATION

Location:	6130 Ingram Road		☐ **QCT**		☐ **DDA**
City:	San Antonio	**County:**	Bexar	**Zip:**	78238

REQUEST

Amount	Interest Rate	Amortization	Term
1) $596,168	N/A	N/A	N/A

Other Requested Terms: 1) Annual ten-year allocation of housing tax credits

Proposed Use of Funds: Acquisition/rehab **Property Type:** Multifamily

Special Purpose (s): General population

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $589,624 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Receipt, review, and acceptance of a satisfactory TDHCA site inspection report prior to Board approval;
2. Receipt, review, and acceptance of a lead-based paint study provided by a third party environmental engineer or confirmation by the Phase I ESA provider that lead based-paint concerns identified in the Phase I ESA are non-existent or of such low risk as to warrant no further investigation; and,
3. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	336	**# Rental Buildings**	21	**# Common Area Bldgs**	3	**# of Floors**	2	**Age:**	26 yrs	**Vacant:**	N/A at / /

Net Rentable SF:	251,752	**Av Un SF:**	749	**Common Area SF:**	2,540	**Gross Bldg SF:**	254,292

STRUCTURAL MATERIALS

The structure is wood frame on a concrete slab on grade. According to the plans provided in the application the exterior is comprised as follows: 75% brick veneer/ 25% cement fiber siding, and wood trim. The interior wall surface is drywall and the pitched roof is finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring is a combination of carpeting & vinyl tile. Each unit will include: range & oven, garbage disposal, dishwasher, refrigerator, fiberglass tub/shower, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning, & 8-foot ceilings.

ON-SITE AMENITIES

2,540-square foot of community building space will include and existing clubhouse, two office buildings (one existing, one proposed), and one existing utility building. The existing clubhouse includes an activity room, maintenance & mechanical rooms, storage, & laundry facilities, & restrooms. Office buildings, both existing and proposed, include office space and restrooms. The utility building has a laundry room, storage, and a boiler room. In addition, two pools and perimeter fencing with limited access gates are planned/exist at the site.

Uncovered Parking: 521 spaces **Carports:** 0 spaces **Garages:** 0 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Sagewood Apartments is a very dense (30.39 units per acre) acquisition and rehabilitation development of 336 units of affordable housing located in northwest San Antonio. The development was built in 1978 and is comprised of 21 evenly-distributed medium garden style walk-up residential buildings as follows:

∉ 4 Building Type A with 8 two-bedroom/two-bath units, and 8 three-bedroom/two-bath units;

∉ 12 Building Type B with 8 one-bedroom/one-bath units, 8 two- bedroom/two-bath units;

∉ 5 Building Type C with 8 efficiency/one-bath efficiency units, and 8 one-bedroom/one-bath units.

Development Plan: The buildings are currently 92.5% occupied/ 7.5% vacant and in adequate state. The Property Condition Assessment (PCA) identifies the following significant repairs in the next 12 months: re-asphalt the parking areas and repair pedestrian paving; replace existing wood siding with Hardiplank siding; replace all roof shingles and 50% of decking; replace HVAC systems in all units; install GFCI receptacles and new smoke detectors in all units; replace existing tub surrounds, shower heads and valves, traps and overflows; replace existing window; add new ceiling fans; replace carpeting in most units; paint/refurbish existing cabinets and exterior siding; and make needed repairs and improvements to accessible routes to all buildings and renovate 15 ADA units . Only one significant inconsistency exist between the applicant's costs and the PCA, and that was the repair of lightweight concrete floors identified in the PCA at $218K but no amount was included in the Applicant's estimate. The PCA costs were otherwise well documented and were used as the Underwriter's cost estimate. The rehabilitation will be phased to minimize displacement of current residents.

Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The photos reflect modest buildings with simple fenestration.

SITE ISSUES

SITE DESCRIPTION

Size: 11.06 acres 481,774 square feet **Zoning/ Permitted Uses:** MF-33

Flood Zone Designation: Zone X **Status of Off-Sites:** Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a rectangularly-shaped parcel located in the northwest area of San Antonio, approximately seven miles from the central business district. The site is situated on the south side of Ingram Road.

Adjacent Land Uses:

- **North:** Ingram Road immediately adjacent and a tract of undeveloped land and several fast food restaurants are beyond;
- **South:** A drainage ditch immediately adjacent and vacant land and single-family residences beyond;
- **East:** A mini storage facility, vacant land, and shopping center immediately adjacent and beyond; and
- **West:** An undeveloped tract of land immediately adjacent and single-family residences beyond;

Site Access: Access to the property is from the east or west along Ingram Road. The development has two main entries, both from the north from Ingram Road. Access to Interstate Highway 410 is .5 miles west, which provides connections to all other major roads serving the San Antonio area.

Public Transportation: Public transportation to the area is provided by VIA. "The neighborhood is well-located within the Metropolitan Area's transportation infrastructure." The location of the nearest stop was not identified in the application materials.

Shopping & Services: The site is within San Antonio city limits and in near vicinity of grocery and pharmacies, a shopping center, library, and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance of the site.

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 May 6, 2004 was prepared by HBC Terracon and contained the following findings and recommendations:

Findings: A limited lead-based paint assessment was conducted to visually observe the condition on the interior and exterior painted surfaces the site. In general, interior painted surfaces appeared in good condition. The condition on the interior painted surfaces in apartments units not inspected as part of this assessment is unknown. Exterior painted surfaces appeared to generally be in good condition with some peeling and flaking noted on exterior, metal hand rails on stairwells and on the exterior trim and wood paneling veneer. Physical sampling of painted surfaces would be required to confirm presence or absence of lead-based paint at the site. (p. 21)

An asbestos survey was also conducted and only floor tile and mastic were found to contain asbestos. These components were found to be in good condition and could be managed in place.

Recommendations: Based on the findings of this assessment, no further investigation is recommended at this time. (p. 21) However, the lack of definitive findings on lead-based paint suggest further testing or confirmation that lead based-paint concerns are non-existent or of such low risk as to warrant no further investigation should be confirmed as a condition of this report.

POPULATIONS TARGETED

Income Set-Aside: The Applicant has elected the 40% at 60% or less of area median gross income (AMGI) set-aside. 336 of the units (100% of the total) will be reserved for low-income tenants. 168 units (50%) will be reserved for households earning 50% or less of AMGI, 168 units (50%) will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$21,660	$24,720	$27,840	$30,900	$33,360	$35,820

MARKET HIGHLIGHTS

A market feasibility study dated April 1, 2004 was prepared by O'Connor & Associates ("Market Analyst") and highlighted the following findings:

Definition of Primary Market Area (PMA): "The subject's primary market is defined as that area within zip codes 78201, 78207, 78228, 78237, and 78238." (p. 15). This area encompasses approximately 42 square miles and is equivalent to a circle with a radius of 3.65 miles.

Population: The estimated 2003 population of the PMA was 221,679 and is expected to increase by 1.71% to approximately 225,470 by 2008. Within the primary market area there were estimated to be 70,177 households in 2003.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 8,173 qualified households in the PMA, based on the current estimate of 70,177 households, the projected annual growth rate of 3.31%, renter households estimated at 41.92% of the population, income-qualified households estimated at 39.53%, and an annual renter turnover rate of 70%. (p. 79). The Market Analyst used an income band of $12,343 to $33,360.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	Units of Demand	% of Total Demand	Units of Demand	% of Total Demand
Household Growth	94	1.15%	58	.7%
Resident Turnover	7336	89.76%	8,194	99.3%
Other Sources:	743	9.09%		
TOTAL ANNUAL DEMAND	**8,173**	**100%**	**8,253**	**100%**

Ref: p. 4

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 8.71% based upon 8,173 units of demand and 492 unstabilized affordable housing in the PMA (including the subject) (p. 80). The Underwriter calculated an inclusive capture rate of 9.56% based upon a revised supply of unstabilized comparable affordable units of 789 divided by a revised demand of 8,253.

However, the subject development is currently 92.5% occupied, and it is the intent of the Applicant and is likely the existing tenants will choose to remain at the property. Therefore, an inclusive capture rate calculation is not a meaningful tool for determining the feasibility of the subject development.

Market Rent Comparables: The Market Analyst surveyed five comparable apartment projects totaling 1,584 units in the market area. (p. 56-64).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
0-Bedroom (50%)	$360	$409	-$49	$395	-$35
0-Bedroom (60%)	$360	$499	-$139	$395	-$35
1-Bedroom (50%)	$435	$437	-$2	$505	-$70
1-Bedroom (60%/HH)	$445	$445	$0	$505	-$60
1-Bedroom (60%)	$495	$533	-$38	$505	-$10
2-Bedroom (50%)	$525	$528	-$3	$645	-$120
2-Bedroom (60%/HH)	$580	$583	-$3	$645	-$65
2-Bedroom (60%)	$600	$644	-$44	$645	-$45
3-Bedroom (50%)	$610	$610	-$0	$765	-$135
3-Bedroom (60%)	$730	$744	-$14	$765	-$35

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Primary Market Occupancy Rates: "Based on historical occupancy levels in this market area, overall occupancy levels of between 90% and 93% have been common in the past five years, with Class A, B and C properties performing slightly better than the overall average." (p. 25).

"The average occupancy in the subject's primary market area was reported at 92.87%." (p.11)

Absorption Projections: "The subject property should be able to be fully occupied within twelve months, based on the past trends as reported by the local housing authorities." (p. 25).

"The newest properties surveyed reported leasing at rates ranging from 18 units to 38 units per month, and all reported being at stabilized occupancy within fifteen months." (p.11)

Known Planned Development: "Based on the high occupancy of the existing projects in the area (some also have waiting lists) and the limited new supply coming on-line in the near future, there appears to be a sufficient population for the subject property to penetrate the market." (p. 87).

Effect on Existing Housing Stock: "There appears to be sufficient demand in the primary market area for the proposed subject property to not adversely affect the existing and proposed properties in which HUD has an interest." (p. 25).

Market Study Analysis/Conclusions: The Underwriter found the market study to provide enough information to substantiate sufficient demand or market rent.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are lower than the maximum rents allowed under program guidelines, and less than the current rent roll market rents and the Market Analyst's current adjusted market rents. The Underwriter utilized the lesser of the maximum tax credit rents or the adjusted market rent to reflect an additional $45K in potential gross income. Moreover the Applicant indicated that 69 units would be HOME restricted in addition to the 60% tax credit restriction though it is not entirely clear what restrictions will be required as a result of the City of San Antonio loan. Should these restrictions not materialize, an additional $50K in potential gross income could be achieved. Moreover if the maximum tax credit rents could be achieved a full $102K in potential gross income would be available. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines.

As a result of the underwriter's use of the higher market adjusted rents, the Applicant's effective gross income estimate is $41,465 less than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $3,068 per unit is 6% less than the Underwriter's database-derived estimate of $3,265 per unit for comparably-sized developments. The Applicant's budget shows several line item estimates, that deviate significantly when compared to the properties historical performance and the TDHCA database averages, particularly: general and administrative ($49K lower), management fee ($23K lower), payroll ($30K lower), utilities ($40K higher), water, sewer, and trash ($24K higher), and reserves ($17K lower). The reserve amount is equal to the amount established in the HUD proforma but is less than the Department's minimum of $300 per unit for rehabilitation developments. The Underwriter was unable to reconcile these expenses further even with additional information provided by the Applicant.

Conclusion: The Applicant's estimated operating expense is inconsistent with the Underwriter's expectations. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. In both the Applicant's and the Underwriter's income and expense estimates there is sufficient net operating income to service the proposed first lien permanent mortgage at a debt coverage ratio that is within the TDHCA underwriting guidelines of 1.10 to 1.30 based on the deferral of the two soft sources of financing for the development.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 11.056 acres	$500,000	**Date of Valuation:**	4/ 15/ 2004
Existing Building(s): "as is"	$8,400,000	**Date of Valuation:**	4/ 15/ 2004
Total Development: "as is"	$8,900,000	**Date of Valuation:**	4/ 15/ 2004

Appraiser: O'Connor & Associates **City:** Houston **Phone:** (713) 686-9955

APPRAISAL ANALYSIS/CONCLUSIONS

An appraisal, provided by the purchaser, was performed by O'Connor & Associates, MAI and dated April 1, 2004. The appraisal provides three values: "as-is", "as renovated", and land value. The current "as-is" value is most important in the valuation and underwriting of this property because it should and does support the purchase price of the subject. For the "as-is" valuation, the primary approach used was the income approach. In this case the value and purchase price are slightly different. Based upon the comparable land sales the value of the underlying land was valued at $500,000 or 5.62% of the total appraised value. This is less than the tax assessed value even though the overall tax assessed value is much less than the overall "as is" appraised value. As a result the Underwriter will reduce the sales price by the assessed value for the land to determine the eligible acquisition basis and ensure that not more than a fair building value is utilized.

ASSESSED VALUE

Land: 11.056 acres	$600,000	**Assessment for the Year of:**	2003
Building:	$2,669,200	**Valuation by:**	Bexar County Appraisal District
Total Assessed Value:	$3,269,200	**Tax Rate:**	3.04

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Option agreement		
Contract Expiration Date:	11/ 15/ 2004	**Anticipated Closing Date:**	9/ 15/ 2004
Acquisition Cost:	$8,800,000	**Other Terms/Conditions:**	
Seller:	Leslie P. Busik, Trustee	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The Applicant substantiated acquisition costs of $8,800,000 for the land and existing building on the 11.056-acre site. Since the appraised value of the land was lower than the assessed value, therefore the Underwriter used reduced the sales price by the assessed land value of $600,000. The remaining $8.2M will be attributed to existing building acquisition. This represents an overall acquisition cost of $26,190 per unit.

Sitework Cost: Since this is a proposed rehabilitation the associated sitework costs are minimal. The Applicant has estimated sitework costs of $1,198 per unit, which is $22K less than the estimate in the PCA.

Direct Construction Cost: The Applicant's direct construction cost estimate is $65K higher than the PCA costs which was also commissioned by the Applicant. The Underwriter therefore utilized the PCA provider's costs which on net are $43K lower than the Applicant's total direct and sitework costs.

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 cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable however since the Underwriter's costs are based on the PCA costs and the only other adjustment is as a result of the $100K overstatement of building acquisition value, the "Underwriter's" costs will be used to derive the appropriate eligible basis and credit amount. As a result, an eligible basis of $16,516,070 is used to determine a credit allocation of $589,624 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Underwriter's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM CONSTRUCTION FINANCING

Source: National Equity Fund **Contact:** Dan Wendle

Principal Amount: $2,743,310 **Interest Rate:** LIBOR plus 100 basis points

Additional Information:

Amortization: 2 yrs **Term:** 2 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

PERMANENT FINANCING

Source: Glaser Financial Group (HUD 221(d)(3)) **Contact:** Kenneth Dayton

Principal Amount: $10,950,000 **Interest Rate:** 5.81%

Additional Information: Latest commitment reflects $11,000,000

Amortization: 35 yrs **Term:** 35 yrs **Commitment:** ☐ LOI ☐ Firm ☒ Conditional

Annual Payment: $689,370 **Lien Priority:** 1 **Commitment Date** 4/ 20/ 2004

LOCAL GOVERNMENT LOAN

Source: City of San Antonio **Contact:** David Garza/ Paula Stallup

Principal Amount: $1,350,000 **Interest Rate:** 2%

Additional Information: 5 year deferred , year 6 & 7 cash flow only

Amortization: 20 yrs **Term:** 25 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Annual Payment: n/a **Lien Priority:** 2 **Commitment Date** 7/ 27/ 2004

PRIVATE LOAN

Source: San Antonio Alternative Housing Corporation **Contact:** Rod Radle

Principal Amount: $500,000 **Interest Rate:** 2%

Additional Information: Originally sourced as grant from the City to be loaned to the development repayable on a cash flow basis only

Amortization: 30 yrs **Term:** 30 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Annual Payment: n/a **Lien Priority:** 2 **Commitment Date** 7/ 27/ 2004

TAX CREDIT SYNDICATION

Source: National Equity Fund **Contact:** Dan Wendle

Net Proceeds: $5,298,020 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 858¢

Commitment ☐ LOI ☒ Firm ☐ Conditional **Date:** 6/ 29/ 2004

Additional Information: Based on credits of $602,108 annually

APPLICANT EQUITY

Amount: $885,374 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Permanent Financing: The bonds will be issued by the Bexar County Housing Finance Corporation. The underlying mortgage will be secured by HUD insurance under the 221(d)(3) program (the syndication letter reflect a (d)(4) loan buy the HUD commitment reflects a (d)(3) guarantee). The permanent financing commitment indicates a debt amount of $11,000,000 while the Applicant has used $10,950,000 throughout the application. In this case the difference is not significant and can be supported by the projected NOI.

HTC Syndication: The original tax credit syndication commitment and application reflected a syndication price of $0.85 but the revised final commitment reflects a higher $0.88 per credit acquired.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $885,374 amount to 39% of the available developer fees.

Financing Conclusions: Based on the PCA/Underwriter's estimate of eligible basis, the HTC allocation should not exceed $589,624 annually for ten years, resulting in syndication proceeds of approximately $5,188,170. Based on the underwriting analysis, the Applicant's deferred developer fee will be reduced to $586,736, which represents approximately 27% of the eligible fee and which should be repayable from cash flow within 5 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 may be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, Property Manager and Supportive Services firm are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer/ 100% Member of the General Partner, San Antonio Alternative Housing Corporation, submitted an unaudited financial statement as of December 31, 2003 reporting total assets of $5,727,135 and consisting of $440K in cash, $221K in receivables, $0 in stocks and securities, $1,166K in real property, $131K in machinery, equipment, and fixtures, and $206K in partnership interests. Liabilities totaled $2,207K, resulting in a net worth of $3,520,609.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- The General Partner has completed four affordable housing developments totaling 612 units since 1992, and has no projects currently under construction.
- Rod Radle, the principal of the General Partner, listed no participation.

Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's estimated operating expenses are more than 5% outside of the Underwriter's verifiable range.
- Significant inconsistencies in the application could affect the financial feasibility of the development.

Underwriter:	*Phillip Drake*	**Date:**	September 1, 2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	September 1, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Sagewood Apts, San Antonio, 4% HTC, 04436

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
<TC 50%	20	0	1	401	$451	$395	$7,900	$0.99	$41.82	$25.69
<TC 60%	20	0	1	401	541	395	7,900	0.99	41.82	25.69
TC 50%	68	1	1	664	483	437	29,716	0.66	45.66	31.42
<TC 60% =HH	36	1	1	664	491	445	16,020	0.67	45.66	31.42
<TC 60%	32	1	1	664	579	505	16,160	0.76	45.66	31.42
TC 50%	64	2	2	886	580	528	33,792	0.60	51.71	38.49
TC 60% HH	33	2	2	886	635	583	19,239	0.66	51.71	38.49
TC 60%	31	2	2	886	696	644	19,964	0.73	51.71	38.49
TC 50%	16	3	2	1,000	669	610	9,760	0.61	58.70	53.04
TC 60%	16	3	2	1,000	803	744	11,904	0.74	58.70	53.04
TOTAL:	336		**AVERAGE:**	749	$572	$513	$172,355	$0.68	$48.75	$35.49

INCOME	Total Net Rentable Sq Ft: 251,752		50%	**TDHCA**	**APPLICANT**		Comptroller's Region	9
POTENTIAL GROSS RENT				$2,068,260	$2,023,440		IREM Region	San Antoni
Secondary Income		Per Unit Per Month:	$10.00	40,320	40,320	$10.00	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$2,108,580	$2,063,760			
Vacancy & Collection Loss		% of Potential Gross Income:	-7.50%	(158,144)	(154,788)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,950,437	$1,908,972			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		5.59%	$325	0.43	$109,107	$59,895	$0.24	$178	3.14%
Management		5.00%	290	0.39	97,522	74,758	0.30	222	3.92%
Payroll & Payroll Tax		14.26%	828	1.10	278,074	247,614	0.98	737	12.97%
Repairs & Maintenance		6.29%	365	0.49	122,703	112,626	0.45	335	5.90%
Utilities		2.57%	149	0.20	50,122	90,189	0.36	268	4.72%
Water, Sewer, & Trash		6.65%	386	0.52	129,655	153,215	0.61	456	8.03%
Property Insurance		4.20%	244	0.33	81,952	81,312	0.32	242	4.26%
Property Tax	3.04	5.38%	312	0.42	104,880	105,000	0.42	313	5.50%
Reserve for Replacements		5.17%	300	0.40	100,800	84,000	0.33	250	4.40%
Other Expenses:		1.15%	67	0.09	22,344	22,344	0.09	67	1.17%
TOTAL EXPENSES		56.25%	$3,265	$4.36	$1,097,159	$1,030,953	$4.10	$3,068	54.01%
NET OPERATING INC		43.75%	$2,540	$3.39	$853,277	$878,019	$3.49	$2,613	45.99%
DEBT SERVICE									
Glaser Financial Group		37.56%	$2,180	$2.91	$732,539	$689,370	$2.74	$2,052	36.11%
City of San Antonio- HOME func		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		6.19%	$359	$0.48	$120,739	$188,649	$0.75	$561	9.88%
AGGREGATE DEBT COVERAGE RATIO					1.16	1.27			
RECOMMENDED DEBT COVERAGE RATIO					1.16				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA/PCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bl		47.38%	$26,190	$34.96	$8,800,000	$8,800,000	$34.96	$26,190	46.93%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		2.29%	1,263	1.69	424,500	402,500	1.60	1,198	2.15%
Direct Construction		20.70%	11,445	15.28	3,845,661	3,910,920	15.53	11,640	20.86%
Contingency	9.49%	2.18%	1,207	1.61	405,422	405,422	1.61	1,207	2.16%
General Req'ts	3.03%	0.70%	385	0.51	129,403	129,403	0.51	385	0.69%
Contractor's G &	1.01%	0.23%	128	0.17	43,134	43,134	0.17	128	0.23%
Contractor's Prof	3.03%	0.70%	385	0.51	129,403	129,403	0.51	385	0.69%
Indirect Construction		1.76%	975	1.30	327,679	327,679	1.30	975	1.75%
Ineligible Costs		4.39%	2,425	3.24	814,836	814,836	3.24	2,425	4.35%
Developer's G & A	2.00%	1.55%	855	1.14	287,236	0	0.00	0	0.00%
Developer's Profi	13.00%	10.05%	5,557	7.42	1,867,034	2,288,400	9.09	6,811	12.20%
Interim Financing		4.61%	2,549	3.40	856,598	856,598	3.40	2,549	4.57%
Reserves		3.47%	1,917	2.56	644,000	644,000	2.56	1,917	3.43%
TOTAL COST		100.00%	$55,282	$73.78	$18,574,906	$18,752,295	$74.49	$55,810	100.00%
Recap-Hard Construction Costs		*26.80%*	***$14,814***	***$19.77***	***$4,977,523***	***$5,020,782***	***$19.94***	***$14,943***	*26.77%*

SOURCES OF FUNDS						**RECOMMENDED**	
Glaser Financial Group	58.95%	$32,589	$43.50	$10,950,000	$10,950,000	$10,950,000	Developer Fee Available
City of San Antonio- HOME func	7.27%	$4,018	$5.36	1,350,000	1,350,000	1,350,000	$2,154,270
San Antonio Alt. Housing Corp.	2.69%	$1,488	$1.99	500,000	500,000	500,000	
HTC Syndication Proceeds	27.28%	$15,080	$20.13	5,066,921	5,066,921	5,188,170	% of Dev. Fee Deferred
Deferred Developer Fees	4.77%	$2,635	$3.52	885,374	885,374	586,736	27%
Additional (excess) Funds Requ	-0.95%	($528)	($0.70)	(177,389)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$18,574,906	$18,752,295	$18,574,906	$2,597,371.62

PAYMENT COMPUTATION

Primary	$10,950,000	Term	420
Int Rate	5.81%	DCR	1.16

Secondary	$1,350,000	Term	240
Int Rate	2.00%	Subtotal DCR	1.16

Additional	$500,000	Term	360
Int Rate	2.00%	Aggregate DCR	1.16

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$732,539
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$120,739

Primary	$10,950,000	Term	420
Int Rate	5.81%	DCR	1.16

Secondary	$1,350,000	Term	240
Int Rate	2.00%	Subtotal DCR	1.16

Additional	$500,000	Term	360
Int Rate	2.00%	Aggregate DCR	1.16

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

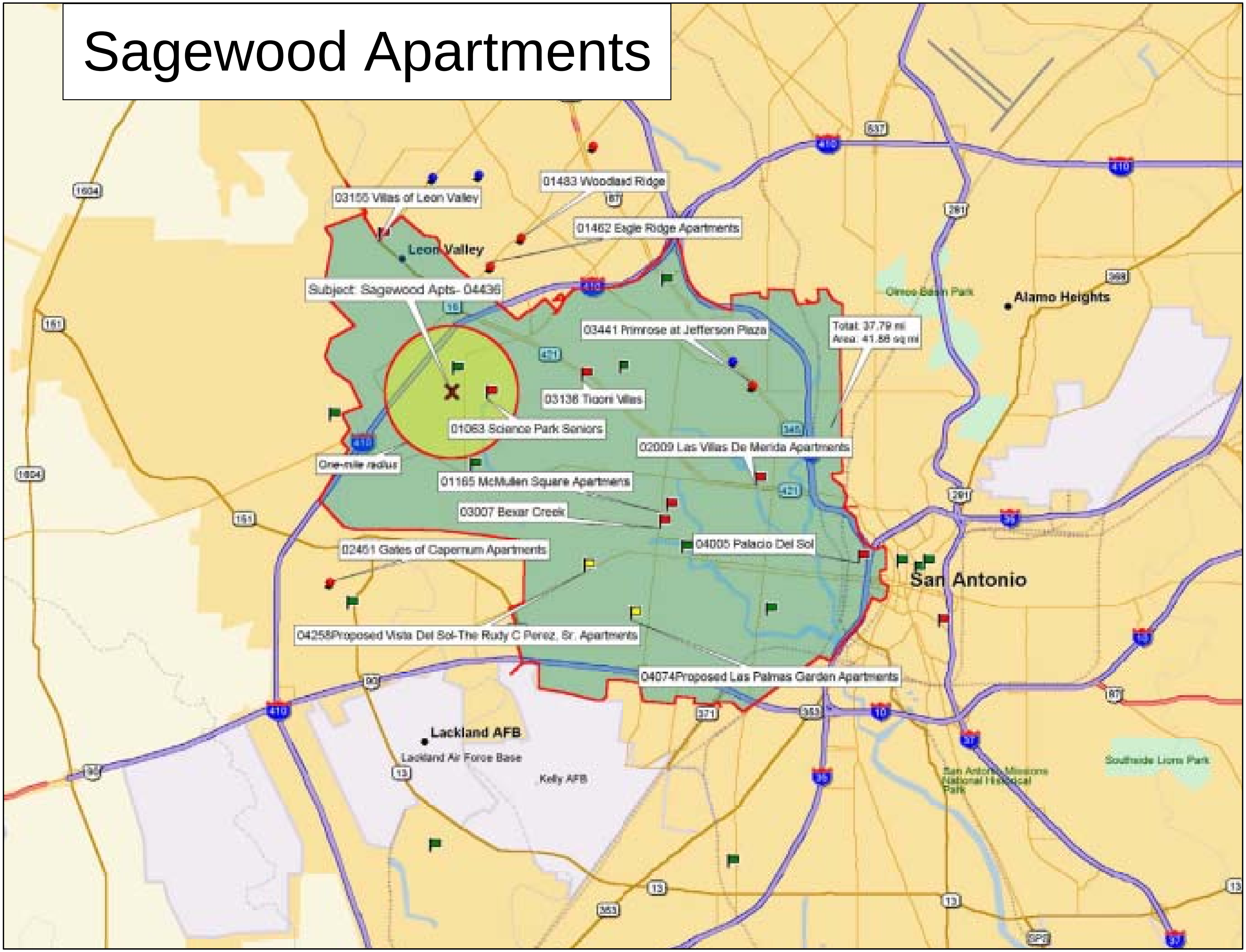
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	##########	##########	$2,194,217	$2,260,044	$2,327,845	$2,698,610	$3,128,429	$3,626,706	$4,873,990
Secondary Income	40,320	41,530	42,775	44,059	45,381	52,608	60,988	70,701	95,017
Other Support Income: (d	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,108,580	2,171,837	2,236,993	2,304,102	2,373,225	2,751,219	3,189,416	3,697,408	4,969,007
Vacancy & Collection Loss	(158,144)	(162,888)	(167,774)	(172,808)	(177,992)	(206,341)	(239,206)	(277,306)	(372,676)
Employee or Other Non-Re	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	##########	##########	$2,069,218	$2,131,295	$2,195,233	$2,544,877	$2,950,210	$3,420,102	$4,596,331
EXPENSES at 4.00%									
General & Administrative	$109,107	$113,472	$118,011	$122,731	$127,640	$155,294	$188,939	$229,873	$340,268
Management	97,522	100,447	103,461	106,565	109,762	127,244	147,511	171,005	229,817
Payroll & Payroll Tax	278,074	289,197	300,765	312,796	325,307	395,786	481,534	585,860	867,216
Repairs & Maintenance	122,703	127,611	132,716	138,024	143,545	174,645	212,482	258,517	382,668
Utilities	50,122	52,127	54,212	56,381	58,636	71,340	86,796	105,600	156,314
Water, Sewer & Trash	129,655	134,841	140,235	145,844	151,678	184,539	224,520	273,163	404,348
Insurance	81,952	85,230	88,639	92,184	95,872	116,643	141,914	172,659	255,578
Property Tax	104,880	109,075	113,438	117,976	122,695	149,277	181,618	220,966	327,084
Reserve for Replacements	100,800	104,832	109,025	113,386	117,922	143,470	174,553	212,370	314,360
Other	22,344	23,238	24,167	25,134	26,139	31,802	38,693	47,075	69,683
TOTAL EXPENSES	##########	##########	$1,184,668	$1,231,021	$1,279,196	$1,550,039	$1,878,559	$2,277,090	$3,347,337
NET OPERATING INCOME	$853,277	$868,879	$884,550	$900,274	$916,038	$994,838	$1,071,652	$1,143,012	$1,248,995
DEBT SERVICE									
First Lien Financing	$732,539	$732,539	$732,539	$732,539	$732,539	$732,539	$732,539	$732,539	$732,539
Second Lien	0	0	0	0	0	81,953	81,953	81,953	0
Other Financing	0	0	0	0	0	22,177	22,177	22,177	22,177
NET CASH FLOW	$120,739	$136,341	$152,011	$167,735	$183,499	$158,169	$234,982	$306,343	$494,279
DEBT COVERAGE RATIO	1.16	1.19	1.21	1.23	1.25	1.19	1.28	1.37	1.65

LIHTC Allocation Calculation - Sagewood Apts, San Antonio, 4% HTC, 04436

CATEGORY	APPLICANT'S TOTAL AMOUNTS	TDHCA TOTAL AMOUNTS	APPLICANT'S ACQUISITION ELIGIBLE BASIS	TDHCA ACQUISITION ELIGIBLE BASIS	APPLICANT'S REHAB/NEW ELIGIBLE BASIS	TDHCA REHAB/NEW ELIGIBLE BASIS
(1) Acquisition Cost						
Purchase of land	$500,000	$600,000				
Purchase of buildings	$8,300,000	$8,200,000	$8,300,000	$8,200,000		
(2) Rehabilitation/New Construction Cost						
On-site work	$402,500	$424,500			$402,500	$424,500
Off-site improvements						
(3) Construction Hard Costs						
New structures/rehabilitation h	$3,910,920	$3,845,661			$3,910,920	$3,845,661
(4) Contractor Fees & General Requirements						
Contractor overhead	$43,134	$43,134			$43,134	$43,134
Contractor profit	$129,403	$129,403			$129,403	$129,403
General requirements	$129,403	$129,403			$129,403	$129,403
(5) Contingencies	$405,422	$405,422			$405,422	$405,422
(6) Eligible Indirect Fees	$327,679	$327,679			$327,679	$327,679
(7) Eligible Financing Fees	$856,598	$856,598			$856,598	$856,598
(8) All Ineligible Costs	$814,836	$814,836				
(9) Developer Fees			$1,245,000	$1,230,000	$930,759	$924,270
Developer overhead		$287,236				
Developer fee	$2,288,400	$1,867,034				
(10) Development Reserves	$644,000	$644,000				
TOTAL DEVELOPMENT COSTS	###########	$18,574,906	$9,545,000	$9,430,000	$7,135,818	$7,086,070
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			$9,545,000	$9,430,000	$7,135,818	$7,086,070
High Cost Area Adjustment					100%	100%
TOTAL ADJUSTED BASIS			$9,545,000	$9,430,000	$7,135,818	$7,086,070
Applicable Fraction			100%	100%	100%	100%
TOTAL QUALIFIED BASIS			$9,545,000	$9,430,000	$7,135,818	$7,086,070
Applicable Percentage			3.57%	3.57%	3.57%	3.57%
TOTAL AMOUNT OF TAX CREDITS			$340,757	$336,651	$254,749	$252,973
Syndication Proceeds		**0.8799**	**$2,998,357**	**$2,962,233**	**$2,241,564**	**$2,225,937**

Total Credits (Eligible Basis Method)	**$595,505**	**$589,624**
Syndication Proceeds	**$5,239,922**	**$5,188,170**
Requested Credits	**$596,168**	
Syndication Proceeds	**$5,245,754**	
Gap of Syndication Proceeds Needed	**$6,452,295**	
Credit Amount	**$733,289**	

Sagewood Apartments



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MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 9, 2004

Action Item

Presentation, Discussion and Possible Approval for the issuance of 4% Housing Tax Credits for Rosemont at Acme.

Summary of the Transaction

The application was received on June 14, 2004. The Issuer for this transaction is Bexar County HFC. The development is to be located at approximately 529 Acme Road South in San Antonio. The development will consist of 250 total units targeting families, with all affordable. The site is currently properly zoned for such a development. The Department received no letters of support or opposition. The bond priority for this transaction is:

☐ **Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and**
Set aside **50%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and**
Set aside **85%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in.
(MUST receive 4% Housing Tax Credits)

☒ **Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Rosemont at Acme.

HOUSING TAX CREDIT PROGRAM
2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY
Texas Department of Housing and Community Affairs

Development Name: **Rosemont at Acme Apartments** TDHCA#: 04447

DEVELOPMENT AND OWNER INFORMATION

Development Location: San Antonio QCT: Y DDA: N TTC: N
Development Owner: TX Acme A South Housing, LP
General Partner(s): TX Acme A South 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: $844,329 Eligible Basis Amt: $868,802 Equity/Gap Amt.: $1,103,120
Annual Tax Credit Allocation Recommendation: $844,329
Total Tax Credit Allocation Over Ten Years: $ 8,443,290

PROPERTY INFORMATION

Unit and Building Information
Total Units: 250 HTC Units: 250 % of HTC Units: 100
Gross Square Footage: 245,484 Net Rentable Square Footage: 240,000
Average Square Footage/Unit: 960
Number of Buildings: 13
Currently Occupied: N

Development Cost
Total Cost: $20,859,203 Total Cost/Net Rentable Sq. Ft.: $86.91

Income and Expenses
Effective Gross Income:[1] $1,860,710 Ttl. Expenses: $959,696 Net Operating Inc.: $901,014
Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Southwest Housing Management Corp.
Attorney:	Shackelford, Melton & McKinley	Architect:	Beeler Guest Owens Architects, LP
Accountant:	Reznick, Fedder & Silverman	Engineer:	To Be Determined
Market Analyst:	Apartment Market Data	Lender:	Newman Capital
Contractor:	Affordable Housing Construction	Syndicator:	Wachovia Securities

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Leticia Van De Putte, District 26 - NC Rep. Joaquin Castro, District 125 - NC Mayor Ed Garza - NC Andrew W. Cameron, Director, Housing and Community Development, 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 §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director
Chairman of Executive Award and Review Advisory Committee
Date

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature:
Elizabeth Anderson, Chairman of the Board
Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: August 25, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04447

DEVELOPMENT NAME

Rosemont at Acme Apartments

APPLICANT

Name:	TX Acme A South Housing, L.P.	**Type:**	For-profit				
Address:	5910 North Central Expressway, Suite 1145	**City:**	Dallas			**State:**	TX
Zip:	75206 **Contact:** Len Vilicic	**Phone:**	(214)	891-1402	**Fax:**	(214)	987-4032

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	TX Acme A South Development, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Brian Potashnik	**(%):**	N/A	**Title:**	100% Owner of MGP
Name:	Southwest Housing Development	**(%):**	N/A	**Title:**	Developer
Name:	Brian Potashnik	**(%):**	N/A	**Title:**	100% Owner of S.W.H.D.

PROPERTY LOCATION

Location:	529 Acme Road South		☒ QCT		☐ DDA
City:	San Antonio	**County:**	Bexar	**Zip:**	78237

REQUEST

Amount	Interest Rate	Amortization	Term
$844,329	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of housing tax credits

Proposed Use of Funds: New construction **Property Type:** Multifamily

Special Purpose (s): General population

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $844,329 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

1. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

`

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	250	# Rental Buildings	13	# Common Area Bldgs	1	# of Floors	3	Age:	N/A yrs

Net Rentable SF:	240,000	Av Un SF:	960	Common Area SF:	5,484	Gross Bldg SF:	245,484

STRUCTURAL MATERIALS

The structure will be wood frame on a post-tensioned concrete slab. According to the plans provided in the application the exterior will be comprised as follows: 5% stone, 5% cement fiber siding, and 90% stucco. The interior wall surfaces will be drywall and the pitched roof will be finished with asphalt composite shingles..

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl tile. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, central boiler water heating system, individual heating and air conditioning, and 9-foot ceilings.

ON-SITE AMENITIES

A 5,484-square foot community building will include a multi-purpose meeting room, management offices, fitness, maintenance, a kitchen, restrooms, a computer center, & a central mailroom. The community building, swimming pool, and equipped children's play area are located at the entrance to the property. In addition, perimeter fencing with limited access gate is planned for the site.

Uncovered Parking:	515	spaces	Carports:	0	spaces	Garages:	0	spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Rosemont at Acme is a relatively dense (12.5 units per acre) new development of 250 units of affordable income housing located in west San Antonio. The development is comprised of thirteen sporadically distributed medium garden style walk-up low-rise residential buildings as follows:

- 7 Building Type A with 12 two-bedroom/two-bath units, 8 three-bedroom/two-bath;
- 3 Building Type C with 12 one-bedroom/one-bath units, 8 three- bedroom/two-bath units;
- 1 Building Type I with 12 two-bedroom/two-bath units, 6 three- bedroom/two-bath units;
- 2 Building Type J with 8 one-bedroom/one-bath units, 8 two- bedroom/two-bath units;

Architectural Review: The building and unit plans are of good design, sufficient size and are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect attractive buildings with nice fenestration.

SITE ISSUES

SITE DESCRIPTION

Size:	20 acres	871,200	square feet	Zoning/ Permitted Uses:	C-3NA(Commercial)
Flood Zone Designation:	Zone X			Status of Off-Sites:	Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is an irregularly-shaped parcel located in the west area of San Antonio, approximately six miles from the central business district. The site is situated on the west side of South Acme Road.

Adjacent Land Uses:

- **North:** vacant land immediately adjacent and a single residence beyond;
- **South:** middle school immediately adjacent and vacant land beyond;
- **East:** South Acme Road immediately adjacent and a park and single family homes beyond; and
- **West:** vacant land immediately adjacent and highway 151 beyond;

Site Access: Access to the property is from the north or south from South Acme Road. The development is to have one main entry from the east side of the property. Access to U.S. Highway 90 and Highway 151, which connect to most major thoroughfares in and around San Antonio.

Public Transportation: Public transportation to the area is provided by VIA (San Antonio's public transportation system) and bus stops are all along South Acme Road.

Shopping & Services: The site is within two to five miles of major grocery/pharmacies, two shopping malls and a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Special Adverse Site Characteristics: "Upon physical inspection it was noted that the site is located under the approach to the Kelly Field runway. The developer should verify that the site is not contained within the determined crash zone of this runway." (Market Study p. 25)

The Phase I Environmental Site Assessment report provided by Alpha Testing, Inc. did not make any reference to any noise issues and due to the close proximity to Kelly Air force Base a statement as to the noise in relationship to the subject property is required from Alpha Testing, Inc., and the report is conditioned upon a satisfactory response to this requirement.

Site Inspection Findings: TDHCA staff performed a site inspection on June 25, 2004 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated July 15, 2004 was prepared by Alpha Testing, Inc. and contained the following findings and recommendations: "This assessment has revealed no evidence of recognized environmental conditions in connection with the Site." (p. 19) As discussed above the proximity to Kelly Air force base is near the site but the ESA provided no discussion of this and should be required to disclose if a noise study is relevant.

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 1 private activity bond lottery development the Applicant has elected the 100% at 60% option which is allowed since it is after June 1 and the development is located in a county with a MFI below the statewide average.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$21,660	$24,720	$27,840	$30,900	$33,360	$35,820

MARKET HIGHLIGHTS

A market feasibility study dated July 13, 2004 was prepared by Market Data Research Services, LLC ("Market Analyst") and highlighted the following findings:

Definition of Primary Market Area (PMA): "For this analysis we utilized a primary market area comprising a 54.04 square mile Trade Area in west San Antonio. The following roads exemplify the major boundaries of the trade area. North-Fredericksburg Road and Loop 410, West-Loop 410 and S.W. Military Drive, South-S.W. Military Drive, and East- New Laredo Highway and Interstate 35." (p. 27). This area is equivalent to a circle with a radius of 4.2 miles.

Population: The estimated 2000 population of the PMA was 230,386 and is expected to increase by 9% to approximately 250,037 by 2008. Within the primary market area there were estimated to be 69,301 households in 2000.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 4,819 qualified households in the PMA, based on the current estimate of 72,156 households, the projected annual growth rate of 4%, renter households estimated at 40% of the population, income-qualified households estimated at 22%, and an annual renter turnover rate of 71 %. (p. 46). The Market Analyst used an income band of $19,851 to $33,360.

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	86	2%	73	2%
Resident Turnover	4,733	98%	4,466	98%
Other Sources: 10 yrs pent-up demand	N/A	N/A	N/A	N/A
TOTAL ANNUAL DEMAND	**4,819**	**100%**	**4,539**	**100%**

Ref: p. 46

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 11.3% based upon 4,819 units of demand and 543 unstabilized affordable housing in the PMA (including the subject). (p. 47) The Underwriter calculated an inclusive capture rate of 12% based upon a revised demand of 4,539.

Market Rent Comparables: The Market Analyst surveyed six comparable apartment projects totaling 1,147 units in the market area. (p. 12)

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	Proposed	Program Max	Differential	Est. Market	Differential
1-Bedroom (60%)	$533	$533	$0	$645	-$112
2-Bedroom (60%)	$643	$644	-$1	$790	-$147
3-Bedroom (60%)	$744	$744	$0	$880	-$136

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Primary Market Occupancy Rates: "The current occupancy of the market area is 96.4% as a result of strong demand. Demand for new rental apartment units considered to be growing." (p. 83)

Absorption Projections: "We estimate that the project would achieve a lease rate of approximately 7% to 10% of its units per month as they come on line for occupancy from construction." (p. 81)

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under HTC guidelines, and are achievable according to the Market Analyst. Estimates of secondary income are in line with TDHCA underwriting guidelines. The Applicant utilized a lower vacancy and collection loss rate of 7% that contributed to the $8.2K higher gross income estimate than the Underwriter's estimate. As a result of these differences the Applicant's effective gross income estimate is less than 1% greater than the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $3,546 per unit is 8% less than the Underwriter's database-derived estimate of $3,839 per unit for comparably-sized developments. The Applicant's budget shows two line item estimates, however, that deviate significantly when compared to the database averages, particularly general and administrative ($25.9K lower), property tax ($48.7K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant.

Conclusion: The Applicant's total estimated operating expenses and net operating income (NOI) estimates are not within 5% of the Underwriter's estimates. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.02 is less than the program minimum standard of 1.10. Therefore, it is likely that the maximum debt service for this development will be limited to $819,468 by a reduction of the bond amount or extension of the amortization or a reduction in the interest rate. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of $11,318,171. It should also be noted that the Applicant's NOI provided a DCR of 1.09 which is slightly below the Department's guideline.

ACQUISITION VALUATION INFORMATION			
ASSESSED VALUE			
Land: (45) acres	$343,000	**Assessment for the Year of:**	2004
Prorated: (1) acre	$7,622	**Valuation by:**	Bexar County Appraisal District
Prorated: (20) acres	$152,444	**Tax Rate:**	2.906855

EVIDENCE of SITE or PROPERTY CONTROL			
Type of Site Control:	Ground Lease		
Contract Expiration Date:	12/ 31/ 2004	**Anticipated Closing Date:**	11/ 11/ 2004
Acquisition Cost:	$242,500 Lump Sum @ Closing	**Other Terms/Conditions:**	$621,200 Payable monthly over the first twenty years
Seller:	Bethel United Methodist Church	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site cost (Ground Lease) of $242,500 paid in a lump sum at closing plus an additional $621,200 payable monthly ($2,588.33) over the first twenty years totals $863,700 is assumed to be reasonable since the acquisition is an arm's-length transactions.

Sitework Cost: The Applicant's claimed sitework costs of $7,495 per unit are considered acceptable compared to the safe harbor limit of $7,500 for multifamily projects.

Direct Construction Cost: The Applicant's costs are more than 5% different than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate after all of the Applicant's additional justifications were considered. This would suggest that the Applicant's direct construction costs are overstated.

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 cost estimate is within 5% of the Underwriter's verifiable estimate and is therefore generally acceptable. Since the Underwriter has been able to verify the Applicant's projected costs to a reasonable margin, the Applicant's total cost breakdown is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of $18,825,619 is used to determine a credit allocation of $868,802 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE					
INTERIM TO PERMANENT BOND FINANCING					
Source:	Newman Capital	**Contact:**	Jerry Wright		
Tax-Exempt Amount:	$12,260,000	**Interest Rate:**	6.75% underwriting rate		
Additional Information:	Bonds issued through Bexar County Housing Finance Corp. and will be underwritten by Newman & Associates and purchased by GMACC				
Amortization:	40 yrs	**Term:**	32.5 yrs	**Commitment:**	☐ LOI ☐ Firm ☒ Conditional
Annual Payment:	$887,659	**Lien Priority:**	1st	**Commitment Date**	7/ 8/ 2004

TAX CREDIT SYNDICATION

Source: Wachovia Securities **Contact:** Tim McCann

Net Proceeds: $7,237,892 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 86.5¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 7/ 9/ 2004

Additional Information:

APPLICANT EQUITY

Amount: $1,675,705 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by Bexar County Housing Finance Corporation, and will be underwritten by Newman & Associates and purchased by GMACC. The permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application. In particular, the syndicator proposes to invest $7,237,892 in equity based on the receipt of $836,750 in tax credits annually for ten years, and an investment rate of $0.865 per dollar of tax credits. The Applicant's sources and uses of funds schedule calls for an equity investment of $6,923,498 based on an annual tax credit request of $844,329 and an investment rate of $0.82 per dollar.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,675,705 amount to 68% of the total fees.

Financing Conclusions: Based on the Applicant's estimate of eligible basis, the HTC allocation should not exceed $868,802 annually for ten years, resulting in syndication proceeds of approximately $7,514,389, but the Applicant's requested credit amount of $844,329 annually for ten years is lower; therefore, the lower of the two will be used. This results in syndication proceeds of $7,302,716. Based on the underwriting analysis, the entire bond amount will not be available at conversion to permanent status and the difference of $941,829 will need to be sourced from additional deferred developer's fee and contractor's fees. The Applicant's deferred developer fee will be increased to $2,238,316, which represents approximately 91% of the eligible fee and which is not repayable in ten years, but should be repayable from cash flow within fifteen 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 may not be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, and Property Manager firms are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- The Developer, Southwest Housing Development Company Inc., submitted an unaudited financial statement as of February 20, 2004 reporting total assets of $22.6M consisting of $15.1M in current assets, $1.6M in property and equipment in cash, and $5.8M in receivables. Liabilities totaled $10.1M, resulting in a net worth of $12.5M.
- The principal of the Developer, Brian Potashnik, submitted an unaudited financial statement as of December 31, 2003 and is anticipated to be guarantor of the development.

Background & Experience:

- The Applicant and General Partner are new entities formed for the purpose of developing the project.
- Brian Potashnik, the principal of the General Partner, listed participation in 20 HTC housing

developments totaling 4,499 units since 2000

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- The Applicant's direct construction costs differ from the Underwriter's *Marshall and Swift*-based estimate by more than 5%.
- The recommended amount of deferred developer fee cannot be repaid within ten years, and any amount unpaid past ten years would be removed from eligible basis.
- The significant financing structure changes being proposed have not been reviewed or accepted by the Applicant, lenders, and syndicators, and acceptable alternative structures may exist.

Underwriter:	*Carl Hoover*	**Date:**	August 25, 2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 25, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Rosemont at Acme, San Antonio, 4% HTC, #04447

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC 60%	52	1	1	750	$579	$533	$27,734	$0.71	$45.66	$25.28
TC 60%	112	2	2	950	696	644	72,138	0.68	51.91	29.28
TC 60%	86	3	2	1,100	803	744	64,010	0.68	58.70	37.68
TOTAL:	250		AVERAGE:	960	$708	$656	$163,882	$0.68	$52.95	$31.34

INCOME	Total Net Rentable Sq Ft: 240,000			TDHCA	APPLICANT			
						Comptroller's Region	9	
POTENTIAL GROSS RENT				$1,966,579	$1,964,592		IREM Region	San Antonio
Secondary Income	Per Unit Per Month:	$15.00		45,000	45,000	$15.00	Per Unit Per Month	
Other Support Income: (describe)				0				
POTENTIAL GROSS INCOME				$2,011,579	$2,009,592			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(150,868)	(140,664)	-7.00%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0				
EFFECTIVE GROSS INCOME				$1,860,710	$1,868,928			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.94%	$368	0.38	$92,009	$66,100	$0.28	$264	3.54%
Management		5.00%	372	0.39	93,036	93,445	0.39	374	5.00%
Payroll & Payroll Tax		11.37%	846	0.88	211,500	207,759	0.87	831	11.12%
Repairs & Maintenance		5.55%	413	0.43	103,251	101,600	0.42	406	5.44%
Utilities		2.18%	162	0.17	40,504	43,750	0.18	175	2.34%
Water, Sewer, & Trash		4.36%	325	0.34	81,173	85,000	0.35	340	4.55%
Property Insurance		3.22%	240	0.25	60,000	59,250	0.25	237	3.17%
Property Tax	2.906855	8.66%	645	0.67	161,224	112,500	0.47	450	6.02%
Reserve for Replacements		2.69%	200	0.21	50,000	50,000	0.21	200	2.68%
Other Expenses: Ground Lease, Su		3.60%	268	0.28	67,000	67,000	0.28	268	3.58%
TOTAL EXPENSES		51.58%	$3,839	$4.00	$959,696	$886,404	$3.69	$3,546	47.43%
NET OPERATING INC		48.42%	$3,604	$3.75	$901,014	$982,524	$4.09	$3,930	52.57%
DEBT SERVICE									
First Lien Mortgage		47.71%	$3,551	$3.70	$887,659	$905,357	$3.77	$3,621	48.44%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0		$0.00	$0	0.00%
NET CASH FLOW		0.72%	$53	$0.06	$13,355	$77,167	$0.32	$309	4.13%
AGGREGATE DEBT COVERAGE RATIO					1.02	1.09			
RECOMMENDED DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		1.41%	$1,139	$1.19	$284,625	$284,625	$1.19	$1,139	1.36%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		9.31%	7,495	7.81	1,873,750	1,873,750	7.81	7,495	8.98%
Direct Construction		48.38%	38,950	40.57	9,737,591	10,354,200	43.14	41,417	49.64%
Contingency	5.00%	2.88%	2,322	2.42	580,567	611,398	2.55	2,446	2.93%
General Req'ts	6.00%	3.46%	2,787	2.90	696,680	733,677	3.06	2,935	3.52%
Contractor's G & A	2.00%	1.15%	929	0.97	232,227	244,559	1.02	978	1.17%
Contractor's Profit	6.00%	3.46%	2,787	2.90	696,680	733,677	3.06	2,935	3.52%
Indirect Construction		5.34%	4,296	4.47	1,073,900	1,073,900	4.47	4,296	5.15%
Ineligible Costs		7.22%	5,813	6.06	1,453,281	1,453,281	6.06	5,813	6.97%
Developer's G & A	2.00%	1.55%	1,251	1.30	312,727	0	0.00	0	0.00%
Developer's Profit	13.00%	10.10%	8,131	8.47	2,032,724	2,455,516	10.23	9,822	11.77%
Interim Financing		3.70%	2,980	3.10	744,943	744,943	3.10	2,980	3.57%
Reserves		2.03%	1,637	1.71	409,330	295,677	1.23	1,183	1.42%
TOTAL COST		100.00%	$80,516	$83.87	$20,129,025	$20,859,203	$86.91	$83,437	100.00%
Recap-Hard Construction Costs		*68.64%*	***$55,270***	***$57.57***	***$13,817,496***	***$14,551,261***	***$60.63***	***$58,205***	*69.76%*

SOURCES OF FUNDS

	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage	60.91%	$49,040	$51.08	$12,260,000	$12,260,000	$11,318,171	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0		0	$2,455,516
HTC Syndication Proceeds	34.40%	$27,694	$28.85	6,923,498	6,923,498	7,302,716	% of Dev. Fee Deferred
Deferred Developer Fees	8.32%	$6,703	$6.98	1,675,705	1,675,705	2,238,316	91.2%
Additional (excess) Funds Required	-3.63%	($2,921)	($3.04)	(730,178)	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$20,129,025	$20,859,203	$20,859,203	$3,134,762

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Rosemont at Acme, San Antonio, 4% HTC, #04447

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$43.83	$10,519,200
Adjustments				
Exterior Wall Finish	0.45%		$0.20	$47,336
Elderly/9-Ft. Ceilings	3.00%		1.31	315,576
Roofing			0.00	0
Subfloor			(0.68)	(162,400)
Floor Cover			2.00	480,000
Porches/Balconies	$18.00	36000	2.70	648,000
Plumbing	$605	344	0.87	208,120
Built-In Appliances	$1,650	250	1.72	412,500
Stairs	$1,700	94	0.67	159,800
Floor Insulation			0.00	0
Heating/Cooling			1.53	367,200
Garages/Carports		0	0.00	0
Comm &/or Aux Bldgs	$59.29	5,484	1.35	325,130
Other:			0.00	0
SUBTOTAL			55.50	13,320,462
Current Cost Multiplier	1.05		2.78	666,023
Local Multiplier	0.85		(8.33)	(1,998,069)
TOTAL DIRECT CONSTRUCTION COSTS			$49.95	$11,988,416
Plans, specs, survy, bld prm	3.90%		($1.95)	($467,548)
Interim Construction Interest	3.38%		(1.69)	(404,609)
Contractor's OH & Profit	11.50%		(5.74)	(1,378,668)
NET DIRECT CONSTRUCTION COSTS			$40.57	$9,737,591

PAYMENT COMPUTATION

Primary	$12,260,000	Term	480
Int Rate	6.75%	DCR	1.02

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.02

Additional	$6,923,498	Term	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$819,468
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$81,546

Primary	$11,318,171	Term	480
Int Rate	6.75%	DCR	1.10

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$6,923,498	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

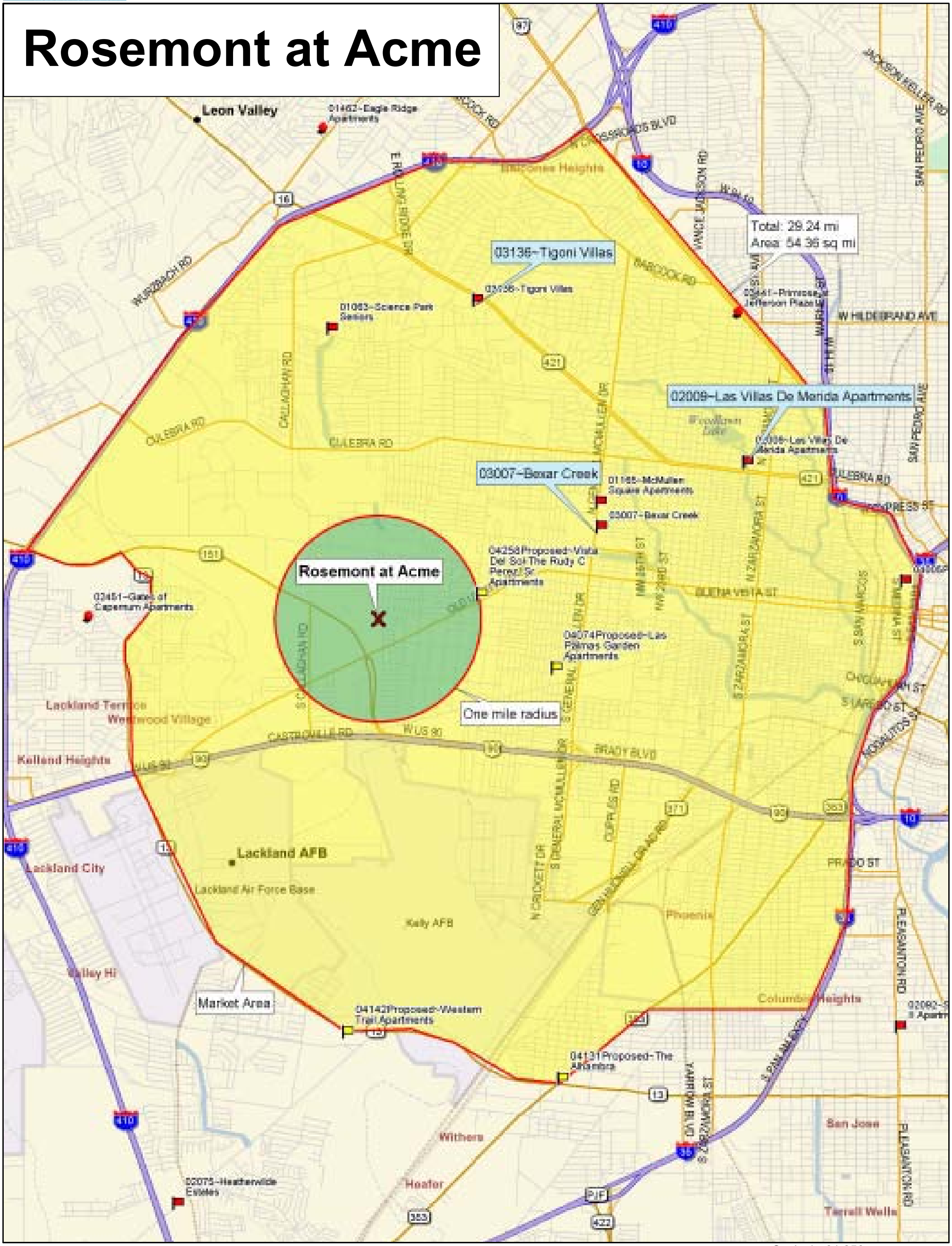
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,966,579	$2,025,576	$2,086,343	$2,148,934	$2,213,402	$2,565,939	$2,974,627	$3,448,408	$4,634,372
Secondary Income	45,000	46,350	47,741	49,173	50,648	58,715	68,067	78,908	106,045
Other Support Income: (describ	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	2,011,579	2,071,926	2,134,084	2,198,106	2,264,050	2,624,654	3,042,693	3,527,315	4,740,417
Vacancy & Collection Loss	(150,868)	(155,394)	(160,056)	(164,858)	(169,804)	(196,849)	(228,202)	(264,549)	(355,531)
Employee or Other Non-Rental	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,860,710	$1,916,532	$1,974,028	$2,033,248	$2,094,246	$2,427,805	$2,814,491	$3,262,767	$4,384,886
EXPENSES at 4.00%									
General & Administrative	$92,009	$95,689	$99,517	$103,498	$107,638	$130,958	$159,330	$193,849	$286,944
Management	93,036	95,827	98,701	101,662	104,712	121,390	140,725	163,138	219,244
Payroll & Payroll Tax	211,500	219,960	228,758	237,909	247,425	301,030	366,250	445,599	659,595
Repairs & Maintenance	103,251	107,381	111,676	116,143	120,789	146,958	178,797	217,533	322,003
Utilities	40,504	42,124	43,809	45,561	47,383	57,649	70,139	85,335	126,316
Water, Sewer & Trash	81,173	84,420	87,797	91,309	94,961	115,535	140,566	171,020	253,152
Insurance	60,000	62,400	64,896	67,492	70,192	85,399	103,901	126,411	187,119
Property Tax	161,224	167,673	174,380	181,355	188,610	229,472	279,188	339,675	502,802
Reserve for Replacements	50,000	52,000	54,080	56,243	58,493	71,166	86,584	105,342	155,933
Other	67,000	69,680	72,467	75,366	78,381	95,362	116,022	141,159	208,950
TOTAL EXPENSES	$959,696	$997,154	$1,036,082	$1,076,538	$1,118,583	$1,354,919	$1,641,501	$1,989,062	$2,922,057
NET OPERATING INCOME	$901,014	$919,378	$937,946	$956,710	$975,663	$1,072,886	$1,172,991	$1,273,705	$1,462,828
DEBT SERVICE									
First Lien Financing	$819,468	$819,468	$819,468	$819,468	$819,468	$819,468	$819,468	$819,468	$819,468
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	$81,546	$99,910	$118,478	$137,243	$156,195	$253,419	$353,523	$454,237	$643,361
DEBT COVERAGE RATIO	1.10	1.12	1.14	1.17	1.19	1.31	1.43	1.55	1.79

LIHTC Allocation Calculation - Rosemont at Acme, San Antonio, 4% HTC, #04447

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	$284,625	$284,625		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,873,750	$1,873,750	$1,873,750	$1,873,750
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$10,354,200	$9,737,591	$10,354,200	$9,737,591
(4) Contractor Fees & General Requirements				
Contractor overhead	$244,559	$232,227	$244,559	$232,227
Contractor profit	$733,677	$696,680	$733,677	$696,680
General requirements	$733,677	$696,680	$733,677	$696,680
(5) Contingencies	$611,398	$580,567	$611,398	$580,567
(6) Eligible Indirect Fees	$1,073,900	$1,073,900	$1,073,900	$1,073,900
(7) Eligible Financing Fees	$744,943	$744,943	$744,943	$744,943
(8) All Ineligible Costs	$1,453,281	$1,453,281		
(9) Developer Fees			$2,455,516	
Developer overhead		$312,727		$312,727
Developer fee	$2,455,516	$2,032,724		$2,032,724
(10) Development Reserves	$295,677	$409,330		
TOTAL DEVELOPMENT COSTS	$20,859,203	$20,129,025	$18,825,619	$17,981,790

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		$18,825,619	$17,981,790
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$24,473,305	$23,376,326
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$24,473,305	$23,376,326
Applicable Percentage		3.55%	3.55%
TOTAL AMOUNT OF TAX CREDITS		$868,802	$829,860
Syndication Proceeds	**0.8649**	**$7,514,389**	**$7,177,568**
Total Credits (Eligible Basis Method)		**$868,802**	**$829,860**
Syndication Proceeds		**$7,514,389**	**$7,177,568**
Requested Credits		**$844,329**	
Syndication Proceeds		**$7,302,716**	
Gap of Syndication Proceeds Needed		**$9,541,032**	
Credit Amount		**$1,103,120**	

Rosemont at Acme



Scale 1 : 81,250

1" = 1.28 mi

Data Zoom 11-3

TN

MN (5.9°E)

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 9, 2004

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Artisan at Willow Springs.

Summary of the Transaction

The application was received on June 17, 2004. The Issuer for this transaction is San Antonio HFC. The development is to be located at 1110 Gembler Road in San Antonio. The development will consist of 248 total units targeting the family population, with all affordable. The site is currently properly zoned for such a development. The Department received no letters in support and no letters in opposition. The bond priority for this transaction is:

☐ **Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and**
Set aside **50%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and**
Set aside **85%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in.
(MUST receive 4% Housing Tax Credits)

☒ **Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Artisan at Willow Springs.

HOUSING TAX CREDIT PROGRAM

2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Artisan at Willow Springs (a.k.a Willow Ranch)** TDHCA#: 04448

DEVELOPMENT AND OWNER INFORMATION

Development Location: San Antonio QCT: Y DDA: N TTC: N
Development Owner: FDC Gembler, Ltd.
General Partner(s): 250 FDC Gembler, LLC, 100%, Contact: Aubra Franklin
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: San Antonio HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $882,718 Eligible Basis Amt: $880,736 Equity/Gap Amt.: $966,584
Annual Tax Credit Allocation Recommendation: $880,736
Total Tax Credit Allocation Over Ten Years: $ 8,807,360

PROPERTY INFORMATION

Unit and Building Information
Total Units: 248 HTC Units: 248 % of HTC Units: 100
Gross Square Footage: 246,780 Net Rentable Square Footage: 239,904
Average Square Footage/Unit: 967
Number of Buildings: 11
Currently Occupied: N
Development Cost
Total Cost: $21,641,043 Total Cost/Net Rentable Sq. Ft.: $90.21
Income and Expenses
Effective Gross Income:[1] $1,835,853 Ttl. Expenses: $832,640 Net Operating Inc.: $1,003,213
Estimated 1st Year DCR: 1.12

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	United Apartment Group
Attorney:	Coats, Rose, Yale, Ryman & Lee PC	Architect:	KSNG Architects
Accountant:		Engineer:	Kimley Horn
Market Analyst:	Butler Burgher, LLC	Lender:	Newman Capital
Contractor:	Galaxy Builders, Ltd.	Syndicator:	Paramount Financial Group, Inc.

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Frank Madla, District 19 - NC Rep. Ruth Jones McClendon, District 120 - NC Mayor Ed Garza - NC Andrew W. Cameron, Director, Housing and Community Development, 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 §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager Date Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Edwina P. Carrington, Executive Director Date
Chairman of Executive Award and Review Advisory Committee

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature:
Elizabeth Anderson, Chairman of the Board Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS

MULTIFAMILY UNDERWRITING ANALYSIS

DATE: August 31, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04448

DEVELOPMENT NAME

Artisan at Willow Springs (a.k.a. Willow Ranch)

APPLICANT

Name:	FDC Gembler, Ltd	**Type:**	For-profit		
Address:	2511 N Loop 1604 W, Suite 202	**City:**	San Antonio	**State:**	TX
Zip:	78258 **Contact:** Ryan Wilson	**Phone:**	(210) 694-2223	**Fax:**	(210) 694-2225

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	250 FDC Gembler, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Merced Housing Texas	**(%):**	N/A	**Title:**	Owner of MGP
Name:	Franklin Development Company	**(%):**	N/A	**Title:**	Developer
Name:	Aubra Franklin	**(%):**	0.01	**Title:**	Special Limited Partner & Owner of Developer

PROPERTY LOCATION

Location:	1110 Gembler Road	☒ **QCT**		☐ **DDA**	
City:	San Antonio	**County:**	Bexar	**Zip:**	78219

REQUEST

Amount	Interest Rate	Amortization	Term
$882,718	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of housing tax credits

Proposed Use of Funds: New construction **Property Type:** Multifamily

Special Purpose (s): General population

RECOMMENDATION

☒ RECOMMEND APPROVAL OF A HOUSING TAX CREDIT ALLOCATION NOT TO EXCEED $880,736 ANNUALLY FOR TEN YEARS, SUBJECT TO CONDITIONS.

CONDITIONS

Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit/allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	248	**# Rental Buildings**	11	**# Common Area Bldgs**	1	**# of Floors**	3	**Age:**	N/A yrs	**Vacant:**	N/A at / /

Net Rentable SF: 239,904 **Av Un SF:** 967 **Common Area SF:** 6,876 **Gross Bldg SF:** 246,780

STRUCTURAL MATERIALS

The structure will be wood frame on a slab on grade. According to the plans provided in the application the exterior will be comprised as follows: 20% masonry veneer and 80% cement fiber siding. The interior wall surfaces will be drywall and the pitched roof will be finished with asphalt composite shingles

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, tile tub/shower, washer & dryer connections, cable, ceiling fans, laminated counter tops, individual water heaters, individual heat pumps, & 9-foot ceilings.

ON-SITE AMENITIES

A 6,876-square foot community building will include an activity room, management offices, fitness, maintenance, laundry facilities, a kitchen, restrooms, a computer/business center, & a central mailroom. The community building and swimming pool are located at the entrance to the property. In addition, a picnic area, equipped children's play areas, and perimeter fencing with limited access gate(s) are planned for the site.

Uncovered Parking: 333 spaces **Carports:** 100 spaces **Garages:** 42 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Artisan at Willow Springs is a very dense (20 units per acre) new construction development of 248 units of affordable housing located in central San Antonio. The is comprised of 11 evenly distributed garden style walk-up residential buildings as follows:

- Five buildings with 12 two-bedroom and 12 three-bedroom units;
- Three buildings with 12 one-bedroom and 12 two-bedroom units;
- Two buildings with 12 one-bedroom and 12 three-bedroom units; and
- One building with 8 two-bedroom units.

Architectural Review: The building and unit plans are comparable to other modern apartment developments. They appear to provide acceptable access and storage. The elevations reflect simple, but attractive buildings.

SITE ISSUES

SITE DESCRIPTION

Size: 12.3 acres 535,788 square feet **Zoning/ Permitted Uses:** I-2 EA-1/Heavy Industrial*

Flood Zone Designation: Zone X **Status of Off-Sites:** Fully improved

* Site registered for Development Preservation Rights on 12/29/2003 – permits multifamily construction

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The subject is located in the San Antonio Metropolitan Statistical Area, south of IH 35 and north of IH 10, on Gembler Road.

Adjacent Land Uses:

- **North:** Belgium Road, single family homes;
- **South:** Gembler Road, KOA Kampground;
- **East:** vacant land (zoned LL), Salado Creek, single family homes; and
- **West:** vacant land (zoned LL), industrial development.

Site Access: Access to the property is from the east or west along Gembler Road or Belgium Road and the north or south from Kono Road. The development plan includes two entries. Access to Interstate Highway 35 is 1.2 miles northwest and access to Interstate Highway 10 is less than one mile southeast. Both highways provide connections to all other major roads serving the San Antonio area.

Public Transportation: Public transportation to the area is provided by Metropolitan Transit with a bus stop located at the corner of Belgium Road and Kono Road and on Gembler Street just east of the subject.

Shopping & Services: The site is served by the San Antonio Independent School District. Because of its proximity to the central business district, shopping and services are readily available.

Site Inspection Findings: A site inspection was performed on June 25, 2004 and the location was found to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated July 8, 2004 was prepared by Alpha Testing, Inc. and contained the following findings: "This assessment has revealed no evidence of recognized environmental conditions in connection with the Site" (p. 1).

However, the body of the report indicates there is a RCRA facility undergoing a corrective action located within one-mile of the subject site and two sites within a 0.5-mile radius associated with the treatment, storage, and disposal of hazardous materials, but not currently involved in a corrective action (p. 10). The report states, "Based on the distance of the facilities from the Site, and the topographic gradient, these facilities do not present a significant environmental concern for the Site" (p. 11). The report also lists five Leaking Underground Storage Tanks within a 0.5-mile radius, but indicates the cases are closed (p. 12). Finally, three Closed/Abandoned Municipal Solid Waste Facilities used for construction waste, tire waste, and brush waste are located within a 0.5-mile radius (p. 13).

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 development the Applicant must set-aside 100% of the units at 60% of AMGI. As of June 1, 2004 any Priority 2 development located in MSA/PMSA/county with median income less than statewide average ($53,000) was re-designated by the Bond Review Board as a Priority 1 transaction with the option to elect to set-aside 100% of the units to be affordable at 60% of AMGI. Developments located within the San Antonio MSA fall within this category.

MAXIMUM ELIGIBLE INCOMES

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons
60% of AMI	$21,660	$24,720	$27,840	$30,900	$33,360	$35,820

MARKET HIGHLIGHTS

A market feasibility study dated July 9, 2004 and updated August 31, 2004 was prepared by Butler Burgher, Inc. ("Market Analyst") and highlighted the following findings:

Definition of Primary Market Area (PMA): "For purposes of this report, the subject's primary market area (PMA) is that area that lies north of IH 10, IH 37, E Southcross Boulevard and New Sulphur Springs, west of North Foster Road and South Foster Road, east of Broadway Road, IH 35 and IH 10 and south of Rittman Road within the city of San Antonio" (p. 40). This area encompasses approximately 56.5 square miles and is equivalent to a circle with a radius of 4.24 miles.

"…the subject is located in the C2 submarket. According to Apartment MarketData Research Services, the C2 submarket boundaries are generally defined as being bordered to the east by Loop 410, to the south by IH 10, to the west by Highway 281 and to the north by IH 35" (p. 50). This area encompasses approximately 15.65 square miles and is equivalent to a circle with a radius of 2.23 miles.

Population: The estimated 2004 population of the PMA is 142,596 and is expected to increase to approximately 143,226 by 2009. Within the primary market area the estimated average household size is 2.79 persons.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 3,316 qualified households in the PMA, based on renter households estimated at 41.05% of the population, income-qualified households estimated at 22.38%, and an annual renter turnover rate of 70.5% (p. 57). The Market Analyst used an income band of $18,085 to $32,130.

"The estimated annual demand for apartments over the next five years [starting in 2003], based on the job growth calculation, indicates a range of 64 units/year to 83 units/year. This calculation reflects greater demand figures than the estimated demand based on population growth due to the lack of significant historical population in the PMA and lack of adequate housing" (p. 56). The Market Analyst chose to include two full years of job-growth based demand. The underwriting analysis includes only one full year of job-growth based demand.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth due to Job Growth	129	4%	64	2%
Resident Turnover	3,187	96%	3,179	98%
TOTAL ANNUAL DEMAND	**3,316**	**100%**	**3,243**	**100%**

Ref: p. 57

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 19.09% based upon 3,316 units of demand and 633 unstabilized affordable housing units in the PMA (including the subject) (p. 58). The Underwriter calculated an inclusive capture rate of 19.5% based on a revised demand for 3,243 affordable units.

Market Rent Comparables: The Market Analyst surveyed seven comparable apartment projects totaling 1,456 units in the market area (p. 66).

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
1-Bedroom (60%)	$527	$527	$0	$620	-$93
2-Bedroom (60%)	$635	$635	$0	$735	-$100
3-Bedroom (60%)	$729	$729	$0	$850	-$121

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Primary Market Occupancy Rates: Overall occupancy in the defined submarket was 93.8% as of March 2004. Occupancy for one-bedroom units was at 93.9%, two-bedroom units was at 93.3% and three-bedroom units was at 100% (p. 50).

Absorption Projections: "The newly constructed apartment complexes in the San Antonio market have experienced absorption rates ranging from 13 units/month to 48 units/month" (p. 58).

Known Planned Development: Villas at Costa Cadiz is a proposed bond transaction with 172 units that may be located in the defined market area. However, the subject development has priority over Costa Cadiz and, therefore, Costa Cadiz does not have an effect on the inclusive capture rate for Artisan at Willow Springs.

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Upon request the Applicant submitted a revised utility allowance sheet and a rent schedule reflecting the current maximum rent limits under the HTC program. Although the Applicant's secondary income estimate of $26.14 per unit per month exceeds the underwriting standard of $5 to $15, the full $26.14 was included in the underwriting analysis as it is supported by the actual collection of secondary income by +195-unit developments in the City of San Antonio. As a result, the Applicant's effective gross income figure is comparable to the Underwriter's estimate.

Expenses: The Applicant's total annual operating expense figure is 9% lower than the Underwriter's estimate. The Applicant was asked to provide additional support for their line item estimates for general and administrative expense and property tax expense. In response, pages from an appraisal that was not required to be submitted as an application exhibit were provided detailing the appraiser's calculation of general and administrative expense and property tax expense.

The Underwriter utilized the appraiser's estimate of assessed value per unit of $29K based on the average of the assessed values for three comparable properties and applied the anticipated 50% reduction in property tax expense due to the principle of the General Partner's status as a CHDO. The per unit estimates for general and administrative expense indicated in the submitted pages of the appraisal are inconsistent, ranging from $375 to +$600. However, at $341 per unit, the Underwriter's general and administrative expense estimate is supported by the appraiser's range, while, at $178 per unit, the Applicant's figure appears to be understated.

Conclusion: Because the Applicant's total operating expense figure and net operating income each vary by more than 5% as compared to the Underwriter's estimate, the Underwriter's proforma is used to determine the development's debt service capacity. The underwriting analysis indicates the development will be able to achieve an initial debt coverage ratio within the Department's guideline of 1.10 to 1.30 based on the proposed financing structure.

ACQUISITION VALUATION INFORMATION

ASSESSED VALUE

Land:	$434,100	**Assessment for the Year of:**	2004
Building:	N/A	**Valuation by:**	Bexar County Appraisal District
Total Assessed Value:	$434,100	**Tax Rate:**	3.001555

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Real Estate Purchase and Sale Contract (12.30 acres)		
Contract Expiration Date:	12/ 15/ 2004	**Anticipated Closing Date:**	11/ 15/ 2004
Acquisition Cost:	$635,000	**Other Terms/Conditions:**	
Seller:	SFD Enterprises, Inc	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The acquisition price of $1.19 per square foot, $51,626 per acre, or $2,560 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction.

Sitework Cost: The Applicant's claimed sitework costs of $7,500 per unit is the maximum figure allowed under Department guidelines without additional substantiation.

Direct Construction Cost: The Applicant's direct construction cost estimate is $214K, or 2%, lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate and, therefore, is regarded as reasonable as submitted.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $42,951 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor's and developer's fees are within the maximums allowed by TDHCA guidelines.

Conclusion: The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule, as adjusted by the Underwriter for overstated interim financing costs, will be used to estimate eligible basis and determine the development's need for permanent funds. An eligible basis of $19,084,209 results in annual tax credits of $880,736. This figure will be compared to the Applicant's request and the tax credits resulting from the development's gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

INTERIM TO PERMANENT BOND FINANCING

Source: Newman Capital **Contact:** Paul Weissman

Tax-Exempt Amount: $13,620,000 **Interest Rate:** BMA + 195 bps, variable; 5.64% lender's underwriting rate

Additional Information: San Antonio HFC (Issuer); 5-yr interest rate cap (6% strike rate)

Amortization: 35 yrs **Term:** 32.5 yrs **Commitment:** ☐ LOI ☒ Firm ☐ Conditional

Annual Payment: $892,745 **Lien Priority:** 1st **Commitment Date** *Undated*

TAX CREDIT SYNDICATION

Source: Paramount Financial Group **Contact:** Dale E Cook

Net Proceeds: $6,925,379 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 83¢

Commitment ☒ LOI ☐ Firm ☐ Conditional **Date:** 07/ 09/ 2004

Additional Information:

APPLICANT EQUITY

Amount: $1,177,285 **Source:** Deferred Developer Fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by San Antonio Housing Finance Corporation and purchased by Newman Capital. The permanent financing commitment is consistent with the terms reflected in the revised sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is inconsistent with the terms reflected in the sources and uses of funds listed in the application. Particularly, the commitment indicates a syndication rate of $0.83 per tax credit dollar, while the Applicant anticipates $0.82 per tax credit dollar. Also, the Applicant anticipates $6,804,425 in syndication proceeds based on a request for $882,718 annually in tax credits, while the commitment reflects $6,925,379 based on $834,550 in tax credits.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $1,177,285 amount to 51% of the total fees.

Financing Conclusions: As stated above, the Applicant's cost schedule, as adjusted by the Underwriter for overstated interim financing costs, is used to estimate eligible basis and determine the development's need for permanent funds. As a result, an annual tax credit allocation of $880,736, as supported by the estimated eligible basis, is recommended as it is less than both the Applicant's request and the tax credits resulting from the development's gap in need for permanent funds. Based on the syndication commitment to contribute $0.83 per tax credit dollar available to the limited partner, syndication proceeds in the amount of $7,308,649 are anticipated. To fill the remaining gap in permanent funds, it is likely the developer will defer $712,394 in fees. This amount appears to be repayable from development cashflow within five years of stabilized operation.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant and Developer are related entities. This is a common relationship for HTC-funded developments.

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

Financial Highlights:

- The Applicant and General Partner are single-purpose entities created for the purpose of receiving assistance from TDHCA and therefore have no material financial statements.
- Merced Housing Texas, owner of the General Partner, submitted audited financial statements for the period ending June 30, 2003. The balance sheet indicated total assets of $41M comprised of $932K current assets, $36M fixed assets, $74K tenant security deposits, $2.2M funded reserves, $2K

predevelopment costs, $92K prepaid expenses, $10K utility security deposit, $2.2M bond issue and financing costs, and -$72K accumulated amortization costs. Liabilities totaled $40M for net assets of $852K with $$23K temporarily restricted.

- The Developer, Franklin Development Company, submitted an unaudited financial statement as of November 1, 2003 reporting total assets of $4.1M and consisting of $166K in cash, $3.9M in receivables, $50K in machinery, equipment, and fixtures. Liabilities totaled $58K, resulting in a net worth of $4.0M.
- The principal of the General Partner and Developer, Aubra L. Franklin, submitted an unaudited financial statement as of November 1, 2003 and is anticipated to be guarantor of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the Department's experience requirements have been met and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- The Applicant's operating expenses and net operating income are more than 5% outside of the Underwriter's verifiable ranges.
- The anticipated ad valorem property tax exemption may not be received or may be reduced, which could affect the financial feasibility of the development.

Underwriter:	*Lisa Vecchietti*	**Date:**	August 31, 2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 31, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Artisan at Willow Springs, San Antonio, 4% HTC 04448

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC 60%	60	1	1	700	$579	$527	$31,632	$0.75	$51.80	$25.28
TC 60%	104	2	2	945	696	635	66,046	0.67	60.94	29.28
TC 60%	84	3	2	1,186	803	729	61,231	0.61	74.06	37.68
TOTAL:	248		AVERAGE:	967	$704	$641	$158,909	$0.66	$63.17	$31.16

INCOME	Total Net Rentable Sq Ft:	239,904		TDHCA	APPLICANT		Comptroller's Region	9
POTENTIAL GROSS RENT				$1,906,910	$1,906,932		IREM Region	San Antonic
Secondary Income	Per Unit Per Month:	$15.00		44,640	0	$0.00	Per Unit Per Month	
Other Income: Cable, Phone, Carports, and Garages		$11.14		33,156	77,796	$26.14	Per Unit Per Month	
POTENTIAL GROSS INCOME				$1,984,706	$1,984,728			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%		(148,853)	(148,860)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions				0	0			
EFFECTIVE GROSS INCOME				$1,835,853	$1,835,868			

EXPENSES	% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative	4.61%	$341	0.35	$84,683	$44,054	$0.18	$178	2.40%
Management	5.00%	370	0.38	91,793	95,163	0.40	384	5.18%
Payroll & Payroll Tax	11.43%	846	0.87	209,808	200,000	0.83	806	10.89%
Repairs & Maintenance	5.27%	390	0.40	96,813	68,500	0.29	276	3.73%
Utilities	1.49%	110	0.11	27,280	34,030	0.14	137	1.85%
Water, Sewer, & Trash	3.77%	279	0.29	69,192	57,197	0.24	231	3.12%
Property Insurance	3.27%	242	0.25	59,976	55,000	0.23	222	3.00%
Property Tax 3.001555	5.88%	435	0.45	107,936	123,217	0.51	497	6.71%
Reserve for Replacements	2.70%	200	0.21	49,600	48,500	0.20	196	2.64%
Supportive Services, Compliance, Security, Cable	1.94%	143	0.15	35,559	35,559	0.15	143	1.94%
TOTAL EXPENSES	45.35%	$3,357	$3.47	$832,640	$761,220	$3.17	$3,069	41.46%
NET OPERATING INC	54.65%	$4,045	$4.18	$1,003,214	$1,074,648	$4.48	$4,333	58.54%
DEBT SERVICE								
First Lien Mortgage	48.63%	$3,600	$3.72	$892,745	$930,090	$3.88	$3,750	50.66%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing	0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW	6.02%	$445	$0.46	$110,469	$144,558	$0.60	$583	7.87%
AGGREGATE DEBT COVERAGE RATIO				1.12	1.16			
RECOMMENDED DEBT COVERAGE RATIO				1.12				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.97%	$2,621	$2.71	$650,000	$650,000	$2.71	$2,621	3.00%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		8.51%	7,500	7.75	1,860,000	1,860,000	7.75	7,500	8.59%
Direct Construction		46.19%	40,702	42.08	10,094,127	9,879,912	41.18	39,838	45.65%
Contingency	2.02%	1.11%	974	1.01	241,668	241,668	1.01	974	1.12%
General Req'ts	5.79%	3.17%	2,791	2.89	692,291	692,291	2.89	2,791	3.20%
Contractor's G & A	1.75%	0.96%	843	0.87	208,954	208,954	0.87	843	0.97%
Contractor's Profit	3.60%	1.97%	1,735	1.79	430,170	430,170	1.79	1,735	1.99%
Indirect Construction		7.19%	6,337	6.55	1,571,517	1,571,517	6.55	6,337	7.26%
Ineligible Costs		5.28%	4,651	4.81	1,153,338	1,153,338	4.81	4,651	5.33%
Developer's G & A	2.73%	2.12%	1,872	1.93	464,155	464,155	1.93	1,872	2.14%
Developer's Profit	10.94%	8.50%	7,486	7.74	1,856,621	1,856,621	7.74	7,486	8.58%
Interim Financing		8.60%	7,576	7.83	1,878,921	1,878,921	7.83	7,576	8.68%
Reserves		3.45%	3,038	3.14	753,496	753,496	3.14	3,038	3.48%
TOTAL COST		100.00%	$88,126	$91.10	$21,855,258	$21,641,043	$90.21	$87,262	100.00%
Recap-Hard Construction Costs		*61.89%*	***$54,545***	***$56.39***	***$13,527,210***	***$13,312,995***	***$55.49***	***$53,681***	*61.52%*

SOURCES OF FUNDS						RECOMMENDED	
First Lien Mortgage	62.32%	$54,919	$56.77	$13,620,000	$13,620,000	$13,620,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$2,320,776
HTC Syndication Proceeds	31.69%	$27,925	$28.87	6,925,379	6,804,425	7,308,649	% of Dev. Fee Deferred
Deferred Developer Fees	5.39%	$4,747	$4.91	1,177,285	1,177,285	712,394	31%
Additional (excess) Funds Requirei	0.61%	$535	$0.55	132,594	39,333	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$21,855,258	$21,641,043	$21,641,043	$4,089,875.06

Artisan at Willow Springs, San Antonio, 4% HTC 04448

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Multiple Residence Basis

CATEGORY	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$43.60	$10,458,914
Adjustments				
Exterior Wall Finish	1.60%		$0.70	$167,343
9-Ft. Ceilings	3.00%		1.31	313,767
Roofing			0.00	0
Subfloor			(0.68)	(162,335)
Floor Cover			2.00	479,808
Balconies/Breezeways	$18.42	26868	2.06	494,774
Plumbing	$605	564	1.42	341,220
Built-In Appliances	$1,650	248	1.71	409,200
Exterior Stairs	$1,450	82	0.50	118,900
Floor Insulation			0.00	0
Heating/Cooling			1.80	431,827
Garages	$23.24	8,400	0.81	195,216
Comm &/or Aux Bldgs	$57.53	6,876	1.65	395,549
Carports	$8.20	20,000	0.68	164,000
SUBTOTAL			57.56	13,808,183
Current Cost Multiplier	1.05		2.88	690,409
Local Multiplier	0.85		(8.63)	(2,071,228)
TOTAL DIRECT CONSTRUCTION COSTS			$51.80	$12,427,365
Plans, specs, survy, bld prm	3.90%		($2.02)	($484,667)
Interim Construction Interes	3.38%		(1.75)	(419,424)
Contractor's OH & Profit	11.50%		(5.96)	(1,429,147)
NET DIRECT CONSTRUCTION COSTS			$42.08	$10,094,127

PAYMENT COMPUTATION

Primary	$13,620,000	Term	420
Int Rate	5.64%	DCR	1.12

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.12

Additional	$6,804,425	Term	
Int Rate		Aggregate DCR	1.12

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$892,745
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$110,469

Primary	$13,620,000	Term	420
Int Rate	5.64%	DCR	1.12

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.12

Additional	$6,804,425	Term	0
Int Rate	0.00%	Aggregate DCR	1.12

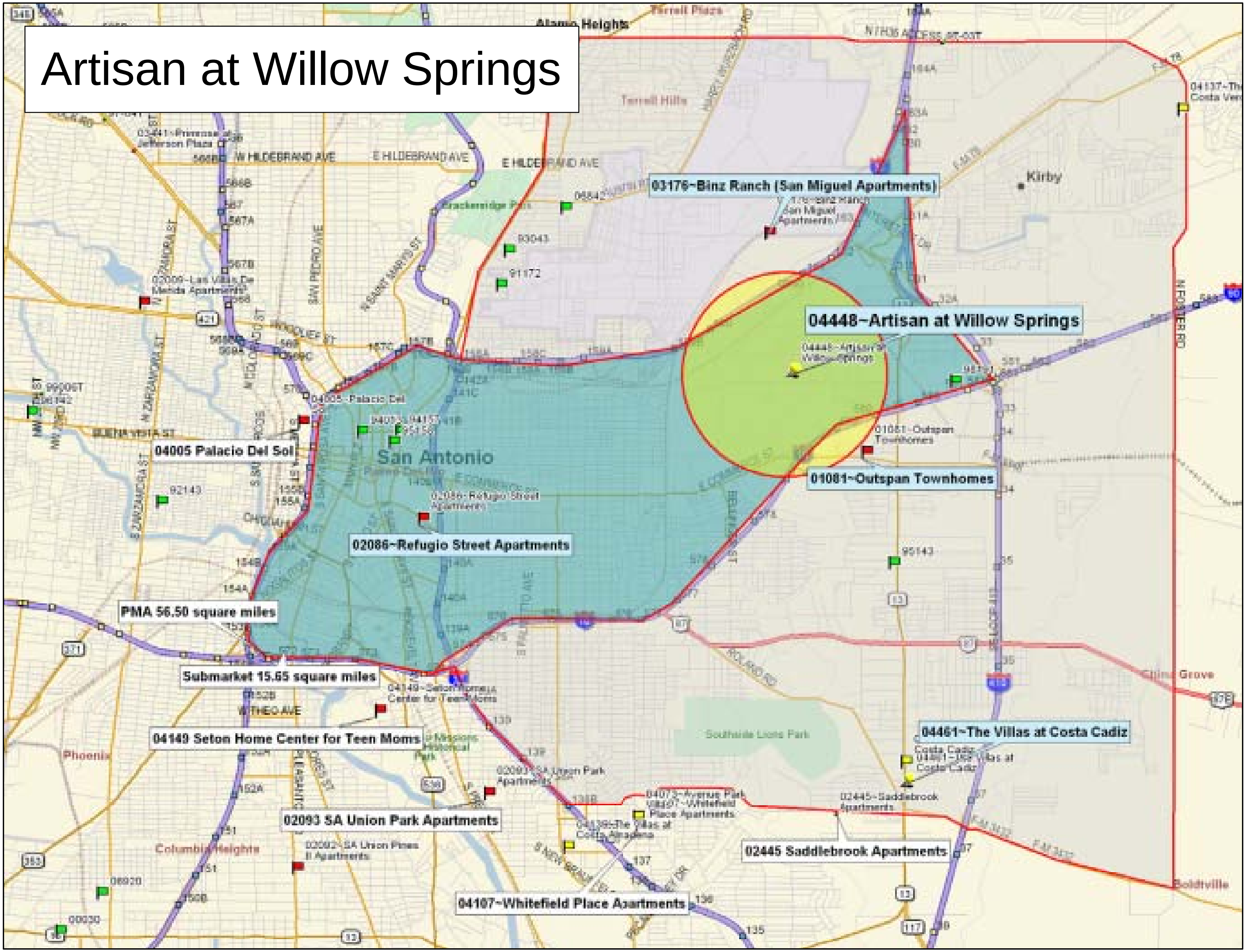
OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,906,910	$1,964,118	$2,023,041	$2,083,732	$2,146,244	$2,488,086	$2,884,373	$3,343,779	$4,493,759
Secondary Income	44,640	45,979	47,359	48,779	50,243	58,245	67,522	78,277	105,197
Other Income: Cable, Phone, (	33,156	34,151	35,175	36,230	37,317	43,261	50,151	58,139	78,134
POTENTIAL GROSS INCOME	1,984,706	2,044,248	2,105,575	2,168,742	2,233,805	2,589,592	3,002,047	3,480,195	4,677,091
Vacancy & Collection Loss	(148,853)	(153,319)	(157,918)	(162,656)	(167,535)	(194,219)	(225,153)	(261,015)	(350,782)
Employee or Other Non-Renta	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,835,853	$1,890,929	$1,947,657	$2,006,087	$2,066,269	$2,395,372	$2,776,893	$3,219,180	$4,326,309
EXPENSES at 4.00%									
General & Administrative	$84,683	$88,071	$91,593	$95,257	$99,067	$120,531	$146,644	$178,415	$264,098
Management	91,793	94,546	97,383	100,304	103,313	119,769	138,845	160,959	216,315
Payroll & Payroll Tax	209,808	218,200	226,928	236,005	245,446	298,622	363,320	442,034	654,318
Repairs & Maintenance	96,813	100,685	104,713	108,901	113,257	137,795	167,648	203,970	301,925
Utilities	27,280	28,371	29,506	30,686	31,914	38,828	47,240	57,475	85,077
Water, Sewer & Trash	69,192	71,960	74,838	77,832	80,945	98,482	119,818	145,777	215,786
Insurance	59,976	62,375	64,870	67,465	70,163	85,365	103,859	126,360	187,044
Property Tax	107,936	112,253	116,743	121,413	126,270	153,626	186,910	227,405	336,615
Reserve for Replacements	49,600	51,584	53,647	55,793	58,025	70,596	85,891	104,500	154,685
Other	35,559	36,981	38,461	39,999	41,599	50,612	61,577	74,917	110,896
TOTAL EXPENSES	$832,640	$865,027	$898,683	$933,656	$970,000	$1,174,225	$1,421,752	$1,721,812	$2,526,759
NET OPERATING INCOME	$1,003,214	$1,025,902	$1,048,974	$1,072,430	$1,096,270	$1,221,147	$1,355,141	$1,497,368	$1,799,550
DEBT SERVICE									
First Lien Financing	$892,745	$892,745	$892,745	$892,745	$892,745	$892,745	$892,745	$892,745	$892,745
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	$110,469	$133,157	$156,229	$179,685	$203,524	$328,402	$462,396	$604,623	$906,805
DEBT COVERAGE RATIO	1.12	1.15	1.17	1.20	1.23	1.37	1.52	1.68	2.02

LIHTC Allocation Calculation - Artisan at Willow Springs, San Antonio, 4% HTC 04448

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	$650,000	$650,000		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$1,860,000	$1,860,000	$1,860,000	$1,860,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$9,879,912	$10,094,127	$9,879,912	$10,094,127
(4) Contractor Fees & General Requirements				
Contractor overhead	$208,954	$208,954	$208,954	$208,954
Contractor profit	$430,170	$430,170	$430,170	$430,170
General requirements	$692,291	$692,291	$692,291	$692,291
(5) Contingencies	$241,668	$241,668	$241,668	$241,668
(6) Eligible Indirect Fees	$1,571,517	$1,571,517	$1,571,517	$1,571,517
(7) Eligible Financing Fees	$1,878,921	$1,878,921	$1,878,921	$1,878,921
(8) All Ineligible Costs	$1,153,338	$1,153,338		
(9) Developer Fees				
Developer overhead	$464,155	$464,155	$464,155	$464,155
Developer fee	$1,856,621	$1,856,621	$1,856,621	$1,856,621
(10) Development Reserves	$753,496	$753,496		
TOTAL DEVELOPMENT COSTS	$21,641,043	$21,855,258	$19,084,209	$19,298,424

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		$19,084,209	$19,298,424
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$24,809,472	$25,087,952
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$24,809,472	$25,087,952
Applicable Percentage		3.55%	3.55%
TOTAL AMOUNT OF TAX CREDITS		$880,736	$890,622
Syndication Proceeds	**0.8298**	**$7,308,649**	**$7,390,687**
	Total Credits (Eligible Basis Method)	**$880,736**	**$890,622**
	Syndication Proceeds	**$7,308,649**	**$7,390,687**
	Requested Credits	**$882,718**	
	Syndication Proceeds	**$7,325,094**	
	Gap of Syndication Proceeds Needed	**$8,021,043**	
	Credit Amount	**$966,584**	



Scale 1 : 81,250
1" = 1.28 mi
Data Zoom 11-3

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

September 9, 2004

Action Item

Presentation, Discussion and Possible Approval for the issuance of Housing Tax Credits for Holiday Place.

Summary of the Transaction

The application was received on May 3, 2004. The Issuer for this transaction is Harris HFC. The development is to be located at 6001 Calhoun in Houston. The development will consist of 120 total units targeting the family population, with all affordable. Since the City of Houston and Harris County do not have zoning ordinances, the site is currently properly zoned for such a development. The Department received no letters in support and no letters in opposition. The bond priority for this transaction is:

☒ **Priority 1A:** Set aside **50%** of units that cap rents at 30% of **50%** AMFI **and**
Set aside **50%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 1B:** Set aside **15%** of units that cap rents at 30% of **30%** AMFI **and**
Set aside **85%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 1C:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI (Only for projects located in a **census tract with median income that is greater** than the median income of the county MSA, or PMSA that the QCT is located in.
(MUST receive 4% Housing Tax Credits)

☐ **Priority 2:** Set aside **100%** of units that cap rents at 30% of **60%** AMFI
(MUST receive 4% Housing Tax Credits)

☐ **Priority 3:** Any qualified residential rental development.

Recommendation

Staff recommends the Board approve the issuance of Housing Tax Credits for Holiday Place.

HOUSING TAX CREDIT PROGRAM

2004 HTC/TAX EXEMPT BOND DEVELOPMENT PROFILE AND BOARD SUMMARY

Texas Department of Housing and Community Affairs

Development Name: **Holiday Place Apartments** TDHCA#: 04437

DEVELOPMENT AND OWNER INFORMATION

Development Location: Houston QCT: Y DDA: N TTC: N
Development Owner: Calhoun Place, Ltd.
General Partner(s): Holiday Place Management, LLC, 100%, Contact: H. Elizabeth Young
Construction Category: New
Set-Aside Category: Tax Exempt Bond Bond Issuer: Harris County HFC
Development Type: Family

Annual Tax Credit Allocation Calculation
Applicant Request: $573,260 Eligible Basis Amt: $587,295 Equity/Gap Amt.: $747,270
Annual Tax Credit Allocation Recommendation: $ 0
Total Tax Credit Allocation Over Ten Years: $ 0

PROPERTY INFORMATION

Unit and Building Information
Total Units: 120 HTC Units: 120 % of HTC Units: 100
Gross Square Footage: 177,869 Net Rentable Square Footage: 177,501
Average Square Footage/Unit: 1479
Number of Buildings: 120
Currently Occupied: N
Development Cost
Total Cost: $13,908,560 Total Cost/Net Rentable Sq. Ft.: $78.36
Income and Expenses
Effective Gross Income:[1] $1,140,858 Ttl. Expenses: $520,400 Net Operating Inc.: $620,458
Estimated 1st Year DCR: 1.10

DEVELOPMENT TEAM

Consultant:	Not Utilized	Manager:	Investors Management Group, LLC
Attorney:	Locke, Liddell & Sapp, LLP	Architect:	JRM Architects, Inc.
Accountant:	Novogradac $ Company, LLC	Engineer:	Vano T. Wilson & Assoc.
Market Analyst:	O'Connor & Associates	Lender:	MMA Financial, LLC
Contractor:	Inland General Construction Co.	Syndicator:	MMA Financial

PUBLIC COMMENT[2]

From Citizens:	From Legislators or Local Officials:
# in Support: 0 # in Opposition: 0	Sen. Rodney Ellis, District 13 - NC Rep. Garnet F. Coleman, District 147 - NC Mayor Bill White - NC Daisy A. Stiner, Director of Housing & Community Development, City of Houston; 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 §50.12(c) of the Qualified Allocation Plan and Rules, all Tax Exempt Bond Development 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. A housing tax credit allocation not to exceed $573,260 annually for ten years.
3. Receipt, review, and acceptance of evidence of the Applicant's familiarity with and intention to comply with the construction requirements for single-family affordable housing as stated in Section 2306.514 of the Texas Government Code.
4. Receipt, review, and acceptance of an acceptable Limited Phase II Subsurface Investigation report by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis, prior to commencement of construction.
5. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit amount may be warranted.

DEVELOPMENT'S SELECTION BY PROGRAM MANAGER & DIVISION DIRECTOR IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond. ☐ Housing Type

Other Comments including discretionary factors (if applicable).

Robert Onion, Multifamily Finance Manager ____ Date ____ Brooke Boston, Director of Multifamily Finance Production Date

DEVELOPMENT'S SELECTION BY EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

☐ Score ☐ Utilization of Set-Aside ☐ Geographic Distrib. ☒ Tax Exempt Bond ☐ Housing Type

Other Comments including discretionary factors (if applicable).________________

Edwina P. Carrington, Executive Director ____ Date
Chairman of Executive Award and Review Advisory Committee

☐ **TDHCA Board of Director's Approval and description of discretionary factors (if applicable).**

Chairperson Signature: ________________ ________
Elizabeth Anderson, Chairman of the Board Date

TEXAS DEPARTMENT of HOUSING and COMMUNITY AFFAIRS
MULTIFAMILY UNDERWRITING ANALYSIS

DATE: August 31, 2004 **PROGRAM:** 4% HTC **FILE NUMBER:** 04437

DEVELOPMENT NAME

Holiday Place Apartments

APPLICANT

Name:	Calhoun Place, Ltd.			**Type:**	For-profit		
Address:	5325 Katy Freeway, Suite One			**City:**	Houston	**State:**	TX
Zip:	77007	**Contact:**	H. Elizabeth Young	**Phone:**	(713) 626-1400	**Fax:**	(713) 626-1098

PRINCIPALS of the APPLICANT/ KEY PARTICIPANTS

Name:	Holiday Place Management, LLC	**(%):**	0.01	**Title:**	Managing General Partner
Name:	Artisan/American Corporation (AAC)	**(%):**	N/A	**Title:**	Developer & 51% owner of MGP
Name:	Inland General Construction Company (IGCC)	**(%):**	N/A	**Title:**	General contractor & 49% owner of MGP
Name:	H. Elizabeth Young	**(%):**	N/A	**Title:**	President & sole owner of AAC
Name:	Vernon R. Young	**(%):**	N/A	**Title:**	President & sole owner of IIGC

PROPERTY LOCATION

Location:	6001 Calhoun Road		☒ **QCT**		☐ **DDA**
City:	Houston	**County:**	Harris	**Zip:**	77021

REQUEST

Amount	Interest Rate	Amortization	Term
$573,260	N/A	N/A	N/A

Other Requested Terms: Annual ten-year allocation of housing tax credits

Proposed Use of Funds: New construction **Property Type:** Multifamily

Special Purpose (s): General population

RECOMMENDATION

☒ NOT RECOMMENDED DUE TO THE FOLLOWING:

- Significant outstanding building plan and cost changes regarding accessibility compliance with Section 504 were not provided 60 days prior to the Board meeting (10TAC§50.12(b).
- The development does not appear to comply with the Department's application of Fair Housing accessibility requirements (10TAC§50.9(f)(4)(F).
- The proposed development does not appear to be "well-planned and well-designed housing for individuals or families" (10TAC§50.5(c)(2)) as it does not, among other things, provide

adequately sized secondary bedrooms (10TAC§50.3(13)).

☒ SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES AND/OR REQUIRE SATISFACTION OF MITIGATING CONDITIONS FOR THE ISSUES LISTED ABOVE. ANY SUCH AN AWARD SHOULD BE ADDITIONALLY CONDITIONED UPON THE FOLLOWING:

CONDITIONS

1. A housing tax credit allocation not to exceed $573,260 annually for ten years;
2. Receipt, review, and acceptance of evidence of the Applicant's familiarity with and intention to comply with the construction requirements for single-family affordable housing as stated in Section 2306.514 of the Texas Government Code;
3. Receipt, review, and acceptance of an acceptable Limited Phase II Subsurface Investigation report by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis, prior to commencement of construction;
4. Should the terms and rates of the proposed debt or syndication change, the transaction should be re-evaluated and an adjustment to the credit allocation amount may be warranted.

REVIEW of PREVIOUS UNDERWRITING REPORTS

No previous reports regarding this specific development. A 178-unit multifamily development application for the same site and by the same development team was submitted and underwritten in the 2002 9% HTC program cycle (Calhoun Place Apartments, #02118), which was recommended for but did not receive an allocation. The Calhoun Place proposal involved a single four-story apartment building and the unit mix was comprised of 89 each one- and two-bedroom units.

DEVELOPMENT SPECIFICATIONS

IMPROVEMENTS

Total Units:	120	# Rental Buildings	120	# Common Area Bldgs	0	# of Floors	3	Age:	0 yrs	Vacant:	N/A at / /

Net Rentable SF:	177,501	Av Un SF:	1,479	Common Area SF:	368	Gross Bldg SF:	177,869

STRUCTURAL MATERIALS

The structures will be wood frame on concrete slabs on grade. According to the plans provided in the application the exteriors will be comprised entirely of cement fiber siding with wood trim. The interior wall surfaces will be drywall and the pitched roofs will be finished with composite shingles.

APPLIANCES AND INTERIOR FEATURES

The interior flooring will be a combination of carpeting & vinyl. Each unit will include: range & oven, hood & fan, garbage disposal, dishwasher, refrigerator, microwave oven, tile tub/shower, washer & dryer connections, ceiling fans, laminated counter tops, individual water heaters, individual heat pumps, & 9-foot ceilings. Six of the units will each have an elevator servicing the first and second floors.

ON-SITE AMENITIES

A 368-square foot management building will include a management office, service coordinator's office, and a restroom. The office is to be located at the entrance to the property. In addition, perimeter fencing with a limited access gate is planned for the site.

Uncovered Parking: None (street parking only) **Carports:** 18 spaces **Garages:** 222 spaces

PROPOSAL and DEVELOPMENT PLAN DESCRIPTION

Description: Holiday Park Apartments is a very dense (19 units per acre) new construction development of 120 rental units to be located in south central Houston. The development is to be comprised of 120 evenly distributed, three-story, four-bedroom, detached single-family buildings. The proposed amenity set is very minimal, consisting essentially of a perimeter fence and limited access gate, and lacking a community building, swimming pool, or playground for the many children expected to reside in an all-four-bedroom unit mix.

Architectural Review: This three story, detached single-family product type has not been previously submitted to TDHCA as a rental development. It is reportedly a popular for purchase single-family development alternative in the Houston area to mitigate high close-in (inside Loop 610) land costs. The unit plans and elevations reflect simple, tall and narrow buildings. The houses are to occupy almost the entire lots, with eight feet between houses and ten-foot deep backyards with wood privacy fences. The Applicant submitted 12 different floor plans ranging from 1,358 to 1,520 square feet; the Underwriter has used an average unit size of 1,479 square feet in the rent schedule. Two-car garages or carports occupy the first floors of all units. In addition 58 of the units (including the six designated Section 504 accessible units) have the master bedroom and a bathroom on the first floor, 35 units have a secondary bedroom (but no bathroom) on the first floor, and the remaining 27 units have no living space on the first floor. All common living areas (living and dining rooms) are located on the second floor. All secondary bedrooms are quite small and many if not most appear to be less than the minimum 100 square feet required in the Qualified Allocation Plan (QAP), 10TAC§50.3(13) though it is difficult to determine an accurate unit dimensions for all of the units depicted in the floor plans provided. The 2004 QAP only allows four-bedroom units to be included in developments composed entirely of single-family buildings, though it generally emphasizes a diversified mix of one-, two-, and three-bedroom units with a greater emphasis in the mix on the smaller unit types. Those secondary bedrooms that do not meet the Department's minimum bedroom size could have been considered large two-or three-bedroom units but such consideration would negatively impact the effective gross income and financial feasibility of the development.

Accessibility: As originally submitted the development plan included six designated handicapped-accessible units which had a bedroom, bathroom, and a kitchenette on the first floor but no accessible route to the primary living areas on the second floor. TDHCA staff expressed concerns regarding the adequacy of this arrangement and compliance with Section 504, Rehabilitation Act of 1973 (29 U.S.C. Section 794) and Fair Housing accessibility requirements under 10TAC§50.9(f)(4)(F). The Section 504 certification requires all developments to provide a minimum of five percent of the total dwelling units be made accessible for mobility impairments. This includes an accessible route to and through all primary living areas and at least two bedrooms in a two-bedroom or greater unit. The QAP further requires that in developments where some units are two stories and are normally exempt from Fair Housing accessibility requirements, a minimum of 20% of each unit type (i.e., one-bedroom, two-bedroom, three-bedroom) must provide an accessible entry level in compliance with the Fair Housing Guidelines, and include a minimum of one bedroom and one bathroom or powder room at the entry level. While an accessible entry level is not clearly defined in the QAP or Fair Housing Guidelines, the Underwriter's working definition based upon the guidance provided in the Fair Housing Act Design Manual produced by HUD is that it would include an accessible route to and through all primary living areas (kitchens, dining area, and living room). On August 27, 2004 the Applicant submitted modified plans incorporating two-story elevators which will provide access to the second floor in six units to comply with the Section 504 requirement that a minimum of 5% of the total number of units be made accessible for individuals with mobility impairments. The Applicant also stated, on August 31, 2004 in a phone conversation with the Underwriter, an intention to install elevator shafts in an additional 18 units to comply with the QAP requirement that 20% of each unit type provide an accessible entry level in compliance with Fair Housing Guidelines. This would be a more economical but less fundamentally practical or acceptable solution than a redesign of the units or installation of all elevators to meet the 20% requirement.

Given the late conformance with Section 504 requirements, the lack of conformance with the Department's modified Fair Housing requirements, the lack of adequately sized secondary bedrooms, the extremely high density for a single-family development, the lack of community amenities such as playgrounds for a development targeted toward large families with children, the unconventional and previously untested in the market three-story detached single-family product type, and the lack of diversity of unit type, the proposed development does not appear, in the opinion of the Underwriter, to be "well-planned and well-designed housing for individuals or families" as required by the QAP in 10TAC§50.5(c)(2) and therefore is not recommended.

Section 2306.514 of the Texas Government Code contains additional construction requirements for single-family affordable housing not otherwise contemplated in the QAP with which the development will need to comply. Detached single-family development is relatively rare in tax credit development and this requirement was not specifically included in the portion of the Department's statute that deals directly with the tax credit program but does appear to be a requirement of all single-family building construction funded through the Department. Therefore, it is a condition of this report that the Applicant provide evidence that they are familiar with and agree to comply with the requirements in this section as well.

SITE ISSUES

SITE DESCRIPTION

Size:	6.292 acres	274,080 square feet		**Zoning/ Permitted Uses:**	No zoning in Houston
Flood Zone Designation:	Zone X			**Status of Off-Sites:**	Partially improved

SITE and NEIGHBORHOOD CHARACTERISTICS

Location: The site is a rectangularly-shaped parcel located in the southeast area of Houston, approximately four miles from the central business district. The site is situated on the southeast side of Calhoun Road.

Adjacent Land Uses:

- **North:** commercial/industrial and vacant land immediately adjacent and a school beyond;
- **South:** commercial/industrial and single-family residential;
- **East:** commercial/industrial immediately adjacent and single-family residential beyond; and
- **West:** Calhoun Road immediately adjacent and single-family residential beyond.

Site Access: Access to the property is from the northeast or southwest along Calhoun Road, from which the development is to have a single entry. Access to Interstate Highway (Loop) 610 is one mile south, which provides connections to all other major roads serving the Houston area.

Public Transportation: Public transportation to the area is provided by the city bus system, with the nearest stop located approximately 600 feet north on Calhoun Road.

Shopping & Services: The site is within four miles of two shopping centers featuring major grocery/pharmacies a variety of other retail establishments and restaurants. Schools, churches, and hospitals and health care facilities are located within a short driving distance from the site.

Site Inspection Findings: TDHCA staff performed a site inspection on May 18, 2004 and found the location to be acceptable for the proposed development.

HIGHLIGHTS of SOILS & HAZARDOUS MATERIALS REPORT(S)

A Phase I Environmental Site Assessment report dated February 26, 2002 and an update report dated July 9, 2004 was prepared by Phase Engineering, Inc. and contained the following findings and recommendations:

Findings: "Known or suspect environmental conditions associated with the subject site and the environmental professional's opinions of the impact on the property of known or suspect environmental conditions identified are as follows:

1. A search of federal, state, and local records indicate that one state equivalent CERCLIS site (Texas Voluntary Cleanup Program), seven leaking underground storage tank sites, and two registered underground storage tank facilities are located within the standard ASTM search radius. There is no indication that the sites identified in the ASTM Standard Environmental records Sources search have had or will have an environmental impact on the subject site…
2. 55-gallon drums of unknown contents were observed on the subject site. No recognized environmental conditions appear to exist provided the contents of the drums are classified and the drums are disposed of off site in accordance with all applicable federal, state, and local regulations.
3. Debris consisting of asphalt, wood, scrap iron, scrap bins, and brush was observed on the subject site. No recognized environmental conditions appear to exist provided the debris is disposed of off site in accordance with all applicable federal, state, and local regulations.
4. Historically, the subject site was a pipe storage yard during the 1950s and 1960s. Soil and groundwater testing would be necessary to determine if the subject site was environmentally impacted from prior use

as a pipe storage yard." (p. 18)

Conclusions: "…This assessment has revealed no evidence of recognized environmental conditions in connection with the property, except for the following: Historically, the subject site was a pipe storage yard. Recognized environmental condition is defined in ASTM Standard E1527-00 as the presence or likely presence of any hazardous substances or petroleum products on a property under conditions that indicate an existing release, a past release, or a material threat of a release of any hazardous substances or petroleum products into structures on the property or into the ground, groundwater, or surface water of the property. The term includes hazardous substances or petroleum products even under conditions in compliance with laws. The term is not intended to include de minimus conditions that generally do not present a material risk of harm to public health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies…" (p. 18).

Recommendations: As the ESA Update report appeared to identify a recognized environmental condition but made no recommendations regarding follow-on testing or other measures, the Underwriter queried the environmental analyst and received the following reply: "Phase Engineering, Inc. recommends that a Limited Phase II Subsurface Investigation be conducted on the site to determine if the historical use of the subject site as a pipe yard has impacted the site. The Phase II investigation should include at least three soil and groundwater sampling locations. The soil and groundwater [samples] should be analyzed for RCRA 8 metals and volatile organic compounds (VOC)" (Phase Engineering, Inc. letter dated 8/19/2004). Receipt, review, and acceptance of an acceptable Limited Phase II Subsurface Investigation report by a third party environmental engineer which indicates that no issues of environmental concern exist with regard to the site and that there is no condition or circumstance that warrants further investigation or analysis, prior to commencement of construction, is a condition of this report.

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 1 private activity bond lottery development the Applicant has elected the 50% at 50% / 50% at 60% option. All of the units will be reserved for low-income tenants. Sixty of the units (50%) will be reserved for households earning 50% or less of AMGI and the other 60 units will be reserved for households earning 60% or less of AMGI.

MAXIMUM ELIGIBLE INCOMES						
	1 Person	**2 Persons**	**3 Persons**	**4 Persons**	**5 Persons**	**6 Persons**
60% of AMI	$25,620	$29,280	$32,940	$36,600	$39,540	$42,480

MARKET HIGHLIGHTS

A market feasibility study dated June 30, 2004 was prepared by O'Connor & Associates ("Market Analyst") and highlighted the following findings:

Definition of Primary Market Area (PMA): "The subject's primary market is defined as the area bounded by Interstate Highway 45 to the north and east, State Highway 288 to the west, and Almeda-Genoa Road to the south" (p. 10). "The subject's primary market area includes the following zip codes: 77033, 77061, and the following partial zip codes: 77004, 77021 (where the subject will be located), 77023, 77087, 77051, 77048, 77047, and 77075" (p. 16). This area encompasses approximately 50 square miles and is equivalent to a circle with a radius of four miles.

Population: The estimated 2004 population of the PMA is 183,663 and is expected to increase by 3.49% to approximately 190,069 by 2009. Within the primary market area there are estimated to be 61,560 households in 2004.

Total Primary Market Demand for Rental Units: The Market Analyst calculated a total demand of 3,168 qualified households in the PMA, based on the current estimate of 61,560 households, the projected annual household growth rate of 0.6%, renter households estimated at 48.5% of the population, income-qualified households estimated at 21.5%, and an annual renter turnover rate of 60% (p. 68). The Market Analyst used an income band of $25,543 to $42,480.

Since the development is comprised entirely of four-bedroom units, adjusting demand for appropriate household size is significantly more important than with a more diversified unit mix. The Analyst used the following rationale in making this adjustment: "Appropriate household size is based on a maximum of +/-1.5 persons per bedroom at the subject complex…It is unlikely that one- and two-person households would rent a four-bedroom unit, thus households with less than three people or more than six people were not considered eligible. Three-person households are considered eligible since a three-person household may reasonably wish to utilize a fourth bedroom for an additional child or dependent, for a guest bedroom, or for use as a home office or study. Given the choice of a three-bedroom unit versus a four-bedroom unit, the four-bedroom unit is often a more desirable choice for a three-person household, particularly when the four-bedroom unit is a single-family unit as opposed to an apartment unit" (p. 67). The Analyst therefore concluded that 44.75% of households were size-appropriate. The Underwriter, however, regards that the low-income households targeted by the LIHTC program are unlikely to select a unit larger/more expensive than necessary, and has consequently used a five-person minimum household size. According to the Analyst's demographic data, only 17.74% of households fall into this cohort, resulting in a significantly reduced demand estimate.

ANNUAL INCOME-ELIGIBLE SUBMARKET DEMAND SUMMARY				
	Market Analyst		Underwriter	
Type of Demand	**Units of Demand**	**% of Total Demand**	**Units of Demand**	**% of Total Demand**
Household Growth	28	1%	8	1%
Resident Turnover	1,759	56%	684	65%
Other Sources: Section 8 voucher holders*	1,202	38%	355	34%
Other Sources (misc.)	179	6%	0	0%
TOTAL ANNUAL DEMAND	**3,168**	**100%**	**1,047**	**100%**

Ref: p. 68

*The Analyst's computation of estimated demand from Section 8 voucher holders is based on a proration of the number of income-qualified households in the PMA relative to that of the entire city times the number of total vouchers available. The Analyst's estimate is not adjusted for household size and is therefore overstated. However, the Applicant provided occupancy data for a reasonably comparable property in nearby Channelview (Sterling Green Village, #94193, 150 one- and two-story 4-bedroom single-family units) which reflects 2003 and 2004 occupancy of not less than 96%. The Underwriter was informed by Sterling Green Village's owner that the proportion of Section 8 voucher holders in this development had risen over time to currently exceed 75% based on the scarcity of four-bedroom units available in the market. Therefore, the Underwriter regards that Section 8 voucher holders are likely to become a significant source of demand for the subject for this reason.

Inclusive Capture Rate: The Market Analyst calculated an inclusive capture rate of 8.52% based upon 3,168 units of demand and 270 unstabilized affordable housing in the PMA (including the subject and Parkside Point #03438) (p. 69). The Analyst included unstabilized three-bedroom units in this number, although neither Clearwood Villas Apartments (#01485, stabilized in December 2003) or Lansborough Apartments (#04268, approved in July 2004) were included. Moreover with households as small as three persons included in the demand side the Market Analyst should have included all unstabilized two- and three-bedroom units in their capture rate calculation. The Underwriter recalculated the capture rate based on the Market Analyst's demand and two-, three-, and four-bedroom unstabilized supply to be 25.13% or slightly more than the 25% Department guideline. However, the Underwriter calculated a more appropriately targeted inclusive capture rate of 18.9% based upon 198 unstabilized comparable affordable units (four-bedroom only) divided by a demand estimate of 1,047 households (five-person households or greater).

Local Housing Authority Waiting List Information: "The waiting list for Section 8 vouchers was closed in 1994, when the list had grown to more than 26,000 households. According to a September 2000 article in the Houston Chronicle, the waiting list for Section 8 vouchers reached approximately six years"(p. 11).

Market Rent Comparables: The Market Analyst surveyed five comparable apartment properties totaling 1,102 units in the market area, three of which are HTC developments. "Overall, the rental properties in this market area are older and there is only one market-rate property built in the past decade, although it does not have any three- or more bedroom units. The most comparable properties in the area are HTC projects targeting low-income renters…Due to the limited amount of recent construction within the primary market area; we utilized both market-rate and rent-restricted comparables. The rental rates utilized from both types of complexes were market-rate units." (p. 47). None of the comparable developments included contained four-bedroom units and therefore estimated market rents are based upon an adjustment from three-bedroom units in the sample. This is an unusual approach though most of the unadjusted three-bedroom rents provided were within $40 of the maximum 60% HTC rents proposed for the development

RENT ANALYSIS (net tenant-paid rents)					
Unit Type (% AMI)	**Proposed**	**Program Max**	**Differential**	**Est. Market**	**Differential**
4-Bedroom (50%)	$753	$753	$0	$1,070	-$317
4-Bedroom (60%)	$930	$930	$0	$1,070	-$140

(NOTE: Differentials are amount of difference between proposed rents and program limits and average market rents, e.g., proposed rent =$500, program max =$600, differential = -$100)

Primary Market Occupancy Rates: "The subject's primary market area occupancy trends show fluctuations over the past four quarters. According to O'Connor & Associates' 1st quarter 2004 *Houston Apartment Data Program,* the overall occupancy level for all operating and under-construction apartment complexes in the primary market area is 88.05%, which is 0.54 basis points higher than the previous quarter and 0.24 points higher than in the 1st quarter of 2003. Class A and Class B occupancy levels are above market average, at 93.0% and 90.44%, respectively. Average occupancy in the primary market area has slowly declined since the 4th quarter of 2001, when the occupancy level peaked at 90.1%, reaching as low as 87.51% in the 4th quarter of 2003. Based on our analysis, moderate increases in occupancy are projected for this market…The overall occupancy level of the affordable housing projects in the primary market area is 86.24%, with Class B operating projects, excluding the Concord at Del Rio that is in lease-up, at an average of 95.18%. The high occupancy level of affordable housing projects in the area indicates a potential pent-up demand for newly-constructed affordable housing units" (p. 40).

Per the Underwriter's request to more specifically address four-bedroom and three-story unit occupancy, the Analyst subsequently submitted on August 31, 2004 an addendum indicating the following: "Overall occupancy for four-bedroom units in the primary market area is 99.6%...The vacancy rates of [a city-wide sample of 12 three-story] townhome units are low, with a weighted average of 5.0%."

Absorption Projections: "Considering the strong absorption history of properties in the market area and the need for quality affordable units in this market, we project that the subject property will lease an average of 15-30 units per month until achieving stabilized occupancy. The leasing rate may be higher during the initial lease-up period. We anticipate that the subject property will achieve stabilized occupancy within four to six months after pre-leasing starts" (p. 74).

Known Planned Development: Other than Parkside Point and previously stabilized developments, no additional information was provided. As discussed above Lansborough Apartments (#04268, approved in July 2004) is also in this primary market but it contains no four bedroom units.

Effect on Existing Housing Stock: "Based on the high occupancy levels of the existing properties in the market, along with the strong recent absorption history, we project that the subject property will have minimal sustained negative impact upon the existing apartment market. Any negative impact from the subject property should be of reasonable scope and limited duration" (p. 74).

Other Relevant Information: The market study did not specifically identify any concerns with or generally discuss the unique marketing challenges that will be associated with the proposed three-story single family dwelling units. While such an analysis is not specifically required, the relative uniqueness of the product type and the limited number of four-bedroom units in the primary market area would give the user of such a report a reasonable expectation that some discussion of the marketability of the proposed development would be included in the report.

Market Study Analysis/Conclusions: The Underwriter found the market study provided sufficient information on which to base a funding recommendation though the Analyst did not specifically address the marketability of or likely demand for the unusual product type being proposed.

OPERATING PROFORMA ANALYSIS

Income: The Applicant's rent projections are the maximum rents allowed under HTC program guidelines, and are achievable according to the Market Analyst. Estimates of secondary income and vacancy and collection losses are in line with TDHCA underwriting guidelines. As a result the Applicant's effective gross income estimate is comparable to the Underwriter's estimate.

Expenses: The Applicant's total expense estimate of $3,901 per unit is 10% lower than the Underwriter's database-derived estimate of $4,337 per unit for comparably-sized developments in this area. The Applicant's budget shows several line item estimates that deviate significantly when compared to the database averages, particularly general and administrative ($9.9K lower), payroll ($14.3K lower), utilities ($18.5K lower), and property tax ($16.4K lower). The Underwriter discussed these differences with the Applicant but was unable to reconcile them even with additional information provided by the Applicant. The Underwriter reviewed operating expense data from 1999-2002 from the Sterling Green Village Apartments, which ranged from $4,161-$5,338/unit, including $1,404-1,509 in property taxes. The appraiser estimated total operating expenses of $5,389/unit, including $1,995 in property taxes. These historical and proforma expenses generally support the Underwriter's higher expenses.

Conclusion: Although the Applicant's estimated income is within 5% of the Underwriter's estimate, the Applicant's total estimated operating expense is inconsistent with the Underwriter's expectations and the Applicant's net operating income (NOI) estimate is not within 5% of the Underwriter's estimate. Therefore, the Underwriter's NOI will be used to evaluate debt service capacity. Due primarily to the difference in estimated operating expenses, the Underwriter's estimated debt coverage ratio (DCR) of 1.02 is less than the program minimum standard of 1.10. Therefore, the maximum debt service for this project should be limited to approximately $564K by a reduction of the loan amount and/or a reduction in the interest rate and/or an extension of the term. The Underwriter has completed this analysis assuming a likely redemption of a portion of the bond amount resulting in a final anticipated bond amount of $7,931,000.

ACQUISITION VALUATION INFORMATION

APPRAISED VALUE

Land Only: 6.2921 acres	$330,000	**Date of Valuation:**	7/ 2/ 2004
Appraiser: O'Connor & Associates	**City:** Houston	**Phone:**	(713) 686-9955

APPRAISAL ANALYSIS/CONCLUSIONS

The appraiser used five comparable land sales is southeast Houston dating from August 2001-August 2003 in deriving the estimated value of the subject site. The appraiser's adjustments appear reasonable.

ASSESSED VALUE

Land: 6.309 acres	$315,020	**Assessment for the Year of:**	2003
Building:	N/A	**Valuation by:**	Harris County Appraisal District
Total Assessed Value:	$315,020	**Tax Rate:**	2.9626

EVIDENCE of SITE or PROPERTY CONTROL

Type of Site Control:	Special warranty deed with vendor's lien
Acquisition Date:	10/ 9/ 2002

Acquisition Cost:	$325,000	**Other Terms/Conditions:**	
Seller:	Suttles Truck Leasing, Inc.	**Related to Development Team Member:**	No

CONSTRUCTION COST ESTIMATE EVALUATION

Acquisition Value: The site was acquired by the Applicant in 2002 at a cost of $325,000 ($1.19/SF, $51,653/acre, or $2,708/unit), this value is substantiated by the appraised value of $330,000 and the tax assessed value of $315,020. The Applicant provided a settlement statement for this original purchase which reflected the $325,000 sales price as well as closing costs borne by the buyer totaling $26,808. The seller holds a note for $325,000 on the property which is anticipated to be repaid with bond proceeds. The Applicant plans to transfer the property at $349,797 or $2,011 less than the total original acquisition plus holding cost. The Applicant is also said to have replatted the property but the cost of this re-plat was not disclosed in the holding nor any other improvement costs associated with the property.

Sitework Cost: The Applicant's claimed sitework costs of $6,767 per unit are within the Department's allowable guidelines without requiring additional justifying documentation.

Direct Construction Cost: The Applicant's direct construction cost estimate is $376K or 4.6% lower than the Underwriter's Marshall & Swift *Residential Cost Handbook*-derived estimate, and is therefore regarded as reasonable as submitted. The Underwriter used average quality single-family development costs and included a subdivision discount in consideration of the large number and similarity of the units.

Interim Financing Fees: The Underwriter reduced the Applicant's eligible interim financing fees by $257,873 to reflect an apparent overestimation of eligible construction loan interest, to bring the eligible interest expense down to one year of fully drawn interest expense. This results in an equivalent reduction to the Applicant's eligible basis estimate.

Fees: The Applicant's contractor's fees for general requirements, general and administrative expenses, and profit are all within the maximums allowed by TDHCA guidelines. The Applicant's developer's fees were set within the maximum TDHCA guideline, but with the reduction in eligible basis due to the misapplication of eligible basis discussed above the eligible basis portion of these fees now exceed the maximum by $24,281 and have been reduced by the same amount in order to recalculate the appropriate requested credit amount.

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 by the Underwriter, is used to calculate eligible basis and determine the HTC allocation. As a result, an eligible basis of $12,725,794 is used to determine a credit allocation of $587,295 from this method. The resulting syndication proceeds will be used to compare to the Applicant's request and to the gap of need using the Applicant's costs to determine the recommended credit amount.

FINANCING STRUCTURE

INTERIM TO PERMANENT BOND FINANCING

Source:	MMA Financial, LLC			**Contact:**	Christopher Tawa
Construction Loan Amount:	$8,585,000	**Interest Rate:**	5.15%		
Permanent Loan Amount:	$8,585,000	**Interest Rate:**	6.6%		
Additional Information:	Interest-only payments during construction				
Amortization:	40 yrs	**Term:**	42 yrs	**Commitment:**	☐ LOI ☐ Firm ☒ Conditional
Annual Payment:	$610,492	**Lien Priority:**	1st	**Commitment Date**	7/ 9/ 2004

TAX CREDIT SYNDICATION

Source:	MMA Financial	**Contact:**	Marie Keutmann

Net Proceeds: $4,552,000 **Net Syndication Rate (per $1.00 of 10-yr HTC)** 80¢

Commitment ☐ LOI ☐ Firm ☒ Conditional **Date:** 7/ 2/ 2004

Additional Information:

APPLICANT EQUITY

Amount: $771,560 **Source:** Deferred developer fee

FINANCING STRUCTURE ANALYSIS

Interim to Permanent Bond Financing: The tax-exempt bonds are to be issued by the Harris County Housing Finance Corporation and purchased by MMA Financial, LLC. The interim to permanent financing commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

HTC Syndication: The tax credit syndication commitment is consistent with the terms reflected in the sources and uses of funds listed in the application.

Deferred Developer's Fees: The Applicant's proposed deferred developer's fees of $771,560 amount to 40% of the total fees.

Financing Conclusions: Based on the Applicant's adjusted estimate of eligible basis, the HTC allocation would not exceed $587,295 annually for ten years, resulting in syndication proceeds of approximately $4,697,893. However, due to the Applicant's use of a lower applicable percentage of 3.39% instead of the underwriting rate of 3.55% used for applications submitted in May 2004, the Applicant's credit request of $573,260 will determine the recommended allocation, resulting in syndication proceeds of approximately $4,585,621. As discussed above, the Underwriter's operating proforma analysis indicates that it is likely that the permanent debt may be reduced to $7,931,000 or less at conversion to permanent; therefore the Applicant's deferred developer fee will be increased to $1,391,939, which represents approximately 84% of the eligible fee and which should be repayable from cash flow within 15 years. Should the Applicant's final direct construction cost exceed the cost estimate used to determine credits in this analysis, additional deferred developer and related general contractor's fees may not be available to fund those development cost overruns.

DEVELOPMENT TEAM

IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor are all related entities. These are common relationships for HTC-funded developments.

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

Financial Highlights:

- The Applicant, Calhoun Place, Ltd., submitted an unaudited financial statement as of August 6, 2004 reporting total assets of $314K and consisting of ($375) in cash and $314K in real property. Liabilities totaled $397K, resulting in negative net equity of ($84K).
- The General Partner is a single-purpose entity created for the purpose of receiving assistance from TDHCA and therefore has no material financial statements.
- Artisan/American Corporation, 51% owner of the General Partner, submitted an unaudited financial statement as of 12/30/2003 reporting total assets of $1.93M and consisting of $83K in cash, $1.39M in receivables, $25K in securities, and $301K in business interests. Liabilities totaled $1.2M, resulting in a net worth of $679K.
- Inland General Construction Company, 49% owner of the General Partner, submitted an unaudited financial statement as of 12/30/2004 reporting total assets of $1.7M and consisting of $15K in cash and deposits, $380K in receivables, $1.2M in work in progress, and 53K in business interests. Liabilities totaled $1.3M, resulting in a net worth of $364K.
- The principals of the General Partner, H. Elizabeth and Vernon Young, submitted an unaudited financial statement as of 12/30/2003 and are anticipated to be guarantors of the development.

Background & Experience: Multifamily Production Finance Staff have verified that the contractor has met the Department's experience requirements and Portfolio Management and Compliance staff will ensure that the proposed owners have an acceptable record of previous participation.

SUMMARY OF SALIENT RISKS AND ISSUES

- The proposed rental housing type is new to the market, has not been previously constructed by the Applicant or the general contractor, and therefore market acceptance thereof is conjectural.
- The Applicant's estimated operating expenses and operating proforma are more than 5% outside of the Underwriter's verifiable ranges.
- Significant inconsistencies in the application could affect the financial feasibility of the development.
- Significant environmental risks exist regarding the historical use of the subject site as a pipe yard.
- 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.

Underwriter:	*Jim Anderson*	**Date:**	August 31, 2004
Director of Real Estate Analysis:	*Tom Gouris*	**Date:**	August 31, 2004

MULTIFAMILY COMPARATIVE ANALYSIS

Holiday Place Apartments, Houston, 4% HTC #04437

Type of Unit	Number	Bedrooms	No. of Baths	Size in SF	Gross Rent Lmt.	Net Rent per Unit	Rent per Month	Rent per SF	Tnt-Pd Util	Wtr, Swr, Trsh
TC (50%)	60	4	2	1,479	$885	$753	$45,180	$0.51	$132.00	$72.00
TC (60%)	60	4	2	1,479	1,062	$930	55,800	0.63	132.00	72.00
TOTAL:	120		AVERAGE:	1,479	$974	$842	$100,980	$0.57	$132.00	$72.00

INCOME	Total Net Rentable Sq Ft: 177,501		TDHCA	APPLICANT		Comptroller's Region	6
POTENTIAL GROSS RENT			$1,211,760	$1,211,760		IREM Region	Houston
Secondary Income	Per Unit Per Month:	$15.00	21,600	21,600	$15.00	Per Unit Per Month	
Other Support Income:			0	0			
POTENTIAL GROSS INCOME			$1,233,360	$1,233,360			
Vacancy & Collection Loss	% of Potential Gross Income:	-7.50%	(92,502)	(92,508)	-7.50%	of Potential Gross Rent	
Employee or Other Non-Rental Units or Concessions			0	0			
EFFECTIVE GROSS INCOME			$1,140,858	$1,140,852			

EXPENSES		% OF EGI	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% OF EGI
General & Administrative		4.10%	$390	0.26	$46,767	$36,900	$0.21	$308	3.23%
Management		5.00%	475	0.32	57,043	56,510	0.32	471	4.95%
Payroll & Payroll Tax		8.57%	815	0.55	97,800	83,500	0.47	696	7.32%
Repairs & Maintenance		3.71%	352	0.24	42,297	42,000	0.24	350	3.68%
Utilities		2.50%	238	0.16	28,512	10,000	0.06	83	0.88%
Water, Sewer, & Trash		4.70%	447	0.30	53,591	60,260	0.34	502	5.28%
Property Insurance		3.60%	343	0.23	41,102	42,048	0.24	350	3.69%
Property Tax	2.9626	10.91%	1,037	0.70	124,429	108,000	0.61	900	9.47%
Reserve for Replacements		2.10%	200	0.14	24,000	24,000	0.14	200	2.10%
Other: spt svcs, compl. fees		0.43%	41	0.03	4,860	4,860	0.03	41	0.43%
TOTAL EXPENSES		45.61%	$4,337	$2.93	$520,400	$468,078	$2.64	$3,901	41.03%
NET OPERATING INC		54.39%	$5,170	$3.50	$620,458	$672,774	$3.79	$5,606	58.97%
DEBT SERVICE									
First Lien Mortgage (MMA)		53.51%	$5,087	$3.44	$610,492	$610,415	$3.44	$5,087	53.51%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
Additional Financing		0.00%	$0	$0.00	0	0	$0.00	$0	0.00%
NET CASH FLOW		0.87%	$83	$0.06	$9,966	$62,359	$0.35	$520	5.47%
AGGREGATE DEBT COVERAGE RATIO					1.02	1.10			
RECOMMENDED DEBT COVERAGE RATIO					1.10				

CONSTRUCTION COST

Description	Factor	% of TOTAL	PER UNIT	PER SQ FT	TDHCA	APPLICANT	PER SQ FT	PER UNIT	% of TOTAL
Acquisition Cost (site or bldg)		2.45%	$2,915	$1.97	$349,797	$349,797	$1.97	$2,915	2.51%
Off-Sites		0.00%	0	0.00	0	0	0.00	0	0.00%
Sitework		5.68%	6,767	4.57	812,000	812,000	4.57	6,767	5.84%
Direct Construction		57.56%	68,516	46.32	8,221,944	7,846,000	44.20	65,383	56.41%
Contingency	4.74%	3.00%	3,568	2.41	428,100	428,100	2.41	3,568	3.08%
General Req'ts	5.69%	3.60%	4,281	2.89	513,720	513,720	2.89	4,281	3.69%
Contractor's G & A	1.90%	1.20%	1,427	0.96	171,240	171,240	0.96	1,427	1.23%
Contractor's Profit	5.69%	3.60%	4,281	2.89	513,720	513,720	2.89	4,281	3.69%
Indirect Construction		1.43%	1,700	1.15	204,000	204,000	1.15	1,700	1.47%
Ineligible Costs		3.19%	3,793	2.56	455,173	455,173	2.56	3,793	3.27%
Developer's G & A	1.72%	1.38%	1,639	1.11	196,726	0	0.00	0	0.00%
Developer's Profit	13.00%	10.41%	12,395	8.38	1,487,441	1,684,167	9.49	14,035	12.11%
Interim Financing		4.04%	4,809	3.25	577,128	577,128	3.25	4,809	4.15%
Reserves		2.47%	2,946	1.99	353,516	353,516	1.99	2,946	2.54%
TOTAL COST		100.00%	$119,038	$80.48	$14,284,504	$13,908,560	$78.36	$115,905	100.00%
Recap-Hard Construction Costs		*74.63%*	***$88,839***	***$60.06***	***$10,660,724***	***$10,284,780***	***$57.94***	***$85,707***	*73.95%*

SOURCES OF FUNDS	%	PER UNIT	PER SQ FT	TDHCA	APPLICANT	RECOMMENDED	
First Lien Mortgage (MMA)	60.10%	$71,542	$48.37	$8,585,000	$8,585,000	$7,931,000	Developer Fee Available
Additional Financing	0.00%	$0	$0.00	0	0	0	$1,659,886
HTC Syndication Proceeds	31.87%	$37,933	$25.64	4,552,000	4,552,000	4,585,621	% of Dev. Fee Deferred
Deferred Developer Fees	5.40%	$6,430	$4.35	771,560	771,560	1,391,939	84%
Additional (excess) Funds Required	2.63%	$3,133	$2.12	375,944	0	0	15-Yr Cumulative Cash Flow
TOTAL SOURCES				$14,284,504	$13,908,560	$13,908,560	$2,344,720

Holiday Place Apartments, Houston, 4% HTC #04437

DIRECT CONSTRUCTION COST ESTIMATE

Residential Cost Handbook

Average Quality Single-Family Residence Basis

	FACTOR	UNITS/SQ FT	PER SF	AMOUNT
Base Cost			$52.81	$9,374,066
Adjustments				
Exterior Wall Finish			$0.00	$0
9-Ft. Ceilings	3.00%		1.58	281,222
Roofing			0.00	0
Subfloor			(0.68)	(120,701)
Floor Cover			2.59	459,728
Elevators	$16,000	6	0.54	96,000
Plumbing	$845	9	0.04	7,605
Built-In Appliances	$2,350	120	1.59	282,000
Stairs	$925	240	1.25	222,000
Carports		3,600	0.00	0
Heating/Cooling			2.01	356,777
Garages	$16.89	44,400	4.22	749,916
Comm &/or Aux Bldgs	$78.66	337	0.15	26,508
Subdivision Discount	-15%	3,600	(7.92)	(1,406,110)
SUBTOTAL			58.19	10,329,010
Current Cost Multiplier	1.09		5.24	929,611
Local Multiplier	0.89		(6.40)	(1,136,191)
TOTAL DIRECT CONSTRUCTION COSTS			$57.03	$10,122,430
Plans, specs, survy, bld prm	3.90%		($2.22)	($394,775)
Interim Construction Interes	3.38%		(1.92)	(341,632)
Contractor's OH & Profit	11.50%		(6.56)	(1,164,079)
NET DIRECT CONSTRUCTION COSTS			$46.32	$8,221,944

PAYMENT COMPUTATION

Primary	$8,585,000	Term	480
Int Rate	6.60%	DCR	1.02

Secondary	$0	Term	
Int Rate	0.00%	Subtotal DCR	1.02

Additional	$4,552,000	Term	
Int Rate		Aggregate DCR	1.02

RECOMMENDED FINANCING STRUCTURE:

Primary Debt Service	$563,985
Secondary Debt Service	0
Additional Debt Service	0
NET CASH FLOW	$56,473

Primary	$7,931,000	Term	480
Int Rate	6.60%	DCR	1.10

Secondary	$0	Term	0
Int Rate	0.00%	Subtotal DCR	1.10

Additional	$4,552,000	Term	0
Int Rate	0.00%	Aggregate DCR	1.10

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE

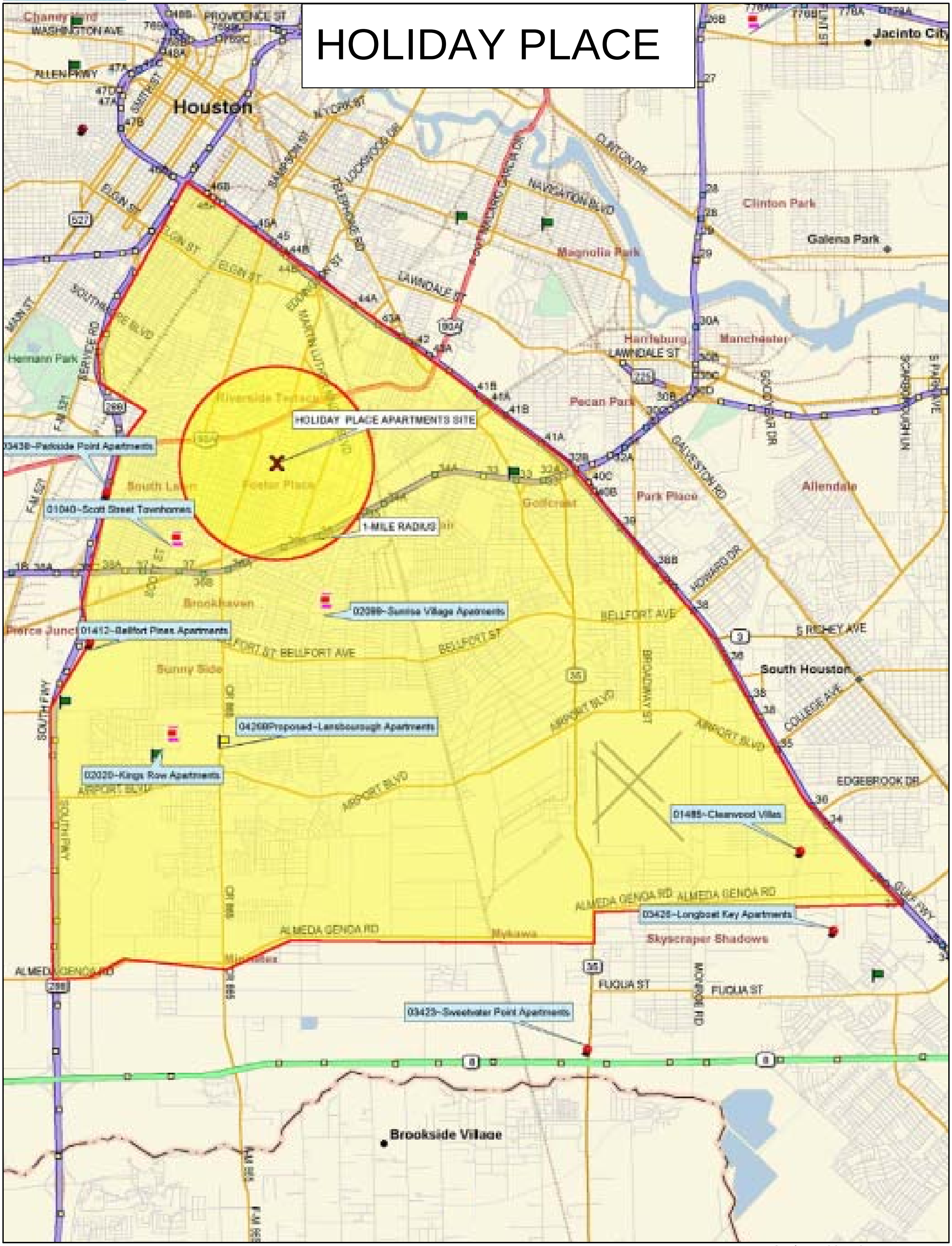
INCOME at 3.00%	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 10	YEAR 15	YEAR 20	YEAR 30
POTENTIAL GROSS RENT	$1,211,760	$1,248,113	$1,285,556	$1,324,123	$1,363,847	$1,581,072	$1,832,896	$2,124,828	$2,855,592
Secondary Income	21,600	22,248	22,915	23,603	24,311	28,183	32,672	37,876	50,902
Other Support Income:	0	0	0	0	0	0	0	0	0
POTENTIAL GROSS INCOME	1,233,360	1,270,361	1,308,472	1,347,726	1,388,158	1,609,255	1,865,568	2,162,704	2,906,494
Vacancy & Collection Loss	(92,502)	(95,277)	(98,135)	(101,079)	(104,112)	(120,694)	(139,918)	(162,203)	(217,987)
Employee or Other Non-Rental U	0	0	0	0	0	0	0	0	0
EFFECTIVE GROSS INCOME	$1,140,858	$1,175,084	$1,210,336	$1,246,646	$1,284,046	$1,488,561	$1,725,650	$2,000,501	$2,688,507
EXPENSES at 4.00%									
General & Administrative	$46,767	$48,637	$50,583	$52,606	$54,710	$66,563	$80,985	$98,530	$145,849
Management	57,043	58,754	60,517	62,332	64,202	74,428	86,283	100,025	134,425
Payroll & Payroll Tax	97,800	101,712	105,780	110,012	114,412	139,200	169,358	206,050	305,004
Repairs & Maintenance	42,297	43,989	45,748	47,578	49,481	60,201	73,244	89,113	131,909
Utilities	28,512	29,652	30,839	32,072	33,355	40,581	49,374	60,070	88,919
Water, Sewer & Trash	53,591	55,734	57,964	60,282	62,694	76,276	92,802	112,908	167,131
Insurance	41,102	42,746	44,456	46,234	48,083	58,501	71,175	86,596	128,183
Property Tax	124,429	129,406	134,583	139,966	145,565	177,102	215,471	262,154	388,051
Reserve for Replacements	24,000	24,960	25,958	26,997	28,077	34,159	41,560	50,564	74,848
Other	4,860	5,054	5,257	5,467	5,686	6,917	8,416	10,239	15,157
TOTAL EXPENSES	$520,400	$540,646	$561,684	$583,546	$606,265	$733,930	$888,667	$1,076,249	$1,579,475
NET OPERATING INCOME	$620,458	$634,438	$648,652	$663,100	$677,781	$754,631	$836,983	$924,252	$1,109,031
DEBT SERVICE									
First Lien Financing	$563,985	$563,985	$563,985	$563,985	$563,985	$563,985	$563,985	$563,985	$563,985
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	$56,473	$70,453	$84,667	$99,115	$113,796	$190,646	$272,998	$360,268	$545,047
DEBT COVERAGE RATIO	1.10	1.12	1.15	1.18	1.20	1.34	1.48	1.64	1.97

LIHTC Allocation Calculation - Holiday Place Apartments, Houston, 4% HTC #04437

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	$349,797	$349,797		
Purchase of buildings				
(2) Rehabilitation/New Construction Cost				
On-site work	$812,000	$812,000	$812,000	$812,000
Off-site improvements				
(3) Construction Hard Costs				
New structures/rehabilitation hard costs	$7,846,000	$8,221,944	$7,846,000	$8,221,944
(4) Contractor Fees & General Requirements				
Contractor overhead	$171,240	$171,240	$171,240	$171,240
Contractor profit	$513,720	$513,720	$513,720	$513,720
General requirements	$513,720	$513,720	$513,720	$513,720
(5) Contingencies	$428,100	$428,100	$428,100	$428,100
(6) Eligible Indirect Fees	$204,000	$204,000	$204,000	$204,000
(7) Eligible Financing Fees	$577,128	$577,128	$577,128	$577,128
(8) All Ineligible Costs	$455,173	$455,173		
(9) Developer Fees			$1,659,886	
Developer overhead		$196,726		$196,726
Developer fee	$1,684,167	$1,487,441		$1,487,441
(10) Development Reserves	$353,516	$353,516		
TOTAL DEVELOPMENT COSTS	$13,908,560	$14,284,504	$12,725,794	$13,126,018

Deduct from Basis:			
All grant proceeds used to finance costs in eligible basis			
B.M.R. loans used to finance cost in eligible basis			
Non-qualified non-recourse financing			
Non-qualified portion of higher quality units [42(d)(3)]			
Historic Credits (on residential portion only)			
TOTAL ELIGIBLE BASIS		$12,725,794	$13,126,018
High Cost Area Adjustment		130%	130%
TOTAL ADJUSTED BASIS		$16,543,532	$17,063,824
Applicable Fraction		100%	100%
TOTAL QUALIFIED BASIS		$16,543,532	$17,063,824
Applicable Percentage		3.55%	3.55%
TOTAL AMOUNT OF TAX CREDITS		$587,295	$605,766
Syndication Proceeds	**0.7999**	**$4,697,893**	**$4,845,641**

Total Credits (Eligible Basis Method)	**$587,295**	**$605,766**
Syndication Proceeds	**$4,697,893**	**$4,845,641**
Requested Credits	**$573,260**	
Syndication Proceeds	**$4,585,621**	
Gap of Syndication Proceeds Needed	**$5,977,560**	
Credit Amount	**$747,270**	



Scale 1 : 93,750

1" = 1.48 mi

Data Zoom 11-1

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
September 9, 2004

Action Items

Requests for second extensions to close construction loans. The status of each development is indicated in the summary of the requests.

Required Action

Approve or deny the requests for extensions associated with 2003 Housing Tax Credit commitments.

Background

Pertinent facts about the developments requesting extensions are given below. The requests were each accompanied by a mandatory $2,500 extension request fee.

Village of Kaufman Apartments, HTC Development No. 03212

Summary of Request: The applicant stated that the development is subject to the Mark-to-Market Program with the U.S. Department of Housing and Urban Development's (HUD) Office of Multifamily Housing Assistance Restructuring and is awaiting HUD's issuance of a restructuring commitment. The applicant stated that all necessary documents were submitted to HUD in a timely manner but delays have originated at HUD that were beyond the applicant's ability to anticipate or control. The applicant has made substantial progress in fulfilling HUD's requirements and an approval from HUD appears to be achievable within the next few months. The applicant's projection of time necessary for the original extension request was reported as based on the information supplied by HUD. Applicant's full explanation of the reason for the new extension request is in the letter posted with this write-up.

Applicant:	V.K. Affordable Housing, L.P.
General Partner:	Delphi Housing of Kaufman, Inc.
Principals/Interested Parties:	Dan O'Dea, Michelle Grant
Syndicator:	Paramount Financial Group
Construction Lender:	Davis-Penn Mortgage Company
Permanent Lender:	Davis-Penn Mortgage Company/HUD (assumption)
Other Funding:	NA
City/County:	Kaufman/Kaufman
Set-Aside:	General/At-Risk/Family
Type of Development:	Rehabilitation
Units:	67 HTC units
2003 Allocation:	$193,806
Allocation per HTC Unit:	$2,893
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Closing construction loan
Note on Time of Request:	Deadline for this extension request was 8/11/04. Request was submitted on 9/1/04.
Current Deadline:	September 10, 2004
New Deadline Requested:	December 9, 2004
New Deadline Recommended:	**December 9, 2004**
Prior Extensions:	Construction loan closing extended from 6/11/04 to 9/10/04.
Reason for Request:	See summary above.
Staff Recommendation:	**Approve extension as requested.**

<u>Fox Run Apartments, HTC Development No. 03213</u>

<u>Summary of Request</u>: The applicant stated that the development is subject to the Mark-to-Market Program with HUD's Office of Multifamily Housing Assistance Restructuring and is awaiting HUD's issuance of a restructuring commitment. The applicant stated that all necessary documents were submitted to HUD in a timely manner but delays have originated at HUD that were beyond the applicant's ability to anticipate or control. The applicant has made substantial progress in fulfilling HUD's requirements and an approval from HUD appears to be achievable within the next few months. The applicant's projection of time necessary for the original extension request was reported as based on the information supplied by HUD. Applicant's full explanation of the reason for the new extension request is in the letter posted with this write-up.

Applicant:	F.R. Affordable Housing, L.P.
General Partner:	Delphi Housing of Orange, Inc.
Principals/Interested Parties:	Dan O'Dea, Michelle Grant
Syndicator:	Paramount Financial Group
Construction Lender:	Davis-Penn Mortgage Company
Permanent Lender:	Davis-Penn Mortgage Company/HUD (assumption)
Other Funding:	NA
City/County:	Orange/Orange
Set-Aside:	General/At-Risk/Family
Type of Development:	Rehabilitation
Units:	68 HTC units
2003 Allocation:	$213,473
Allocation per HTC Unit:	$3,139
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Closing construction loan
Note on Time of Request:	Deadline for this extension request was 8/11/04. Request was submitted on 9/1/04.
Current Deadline:	September 10, 2004
New Deadline Requested:	December 9, 2004
New Deadline Recommended:	**December 9, 2004**
Prior Extensions:	Construction loan closing extended from 6/11/04 to 9/10/04.
Reason for Request:	See summary above.
Staff Recommendation:	**Approve extension as requested.**

Desert Breeze Apartments, HTC Development No. 03220

Summary of Request: Applicant requested the extension because Horizon City annexed the area of the development, imposed incompatible zoning and then placed a moratorium on development. The moratorium delayed the effort to change the zoning. The moratorium has ended but the time that will still be necessary to resolve the zoning issue and allow due diligence reviews by the lender and investor dictates that a second extension will be required.

Applicant:	Desert Breeze, Ltd.
General Partner:	Housing & Economic Rural Opportunities, Inc., Managing GP Marvelous Light Corporation, Co-GP
Principals/Interested Parties:	James Millender, Sr./Ike Monty (general contractor)
Syndicator:	SunAmerica Affordable Housing Partners
Construction Lender:	AIG SunAmerica, Inc.
Permanent Lender:	AIG SunAmerica, Inc.
Other Funding:	NA
City/County:	Horizon City/El Paso
Set-Aside:	Rural/Nonprofit/Elderly
Type of Development:	New Construction
Units:	36 HTC units
2003 Allocation:	$359,018
Allocation per HTC Unit:	$9,973
Extension Request Fee Paid:	$2,500
Type of Extension Request:	Closing construction loan
Note on Time of Request:	Deadline for this extension request was 8/10/04. Request was submitted on 8/12/04.
Current Deadline:	September 9, 2004
New Deadline Requested:	October 9, 2004
New Deadline Recommended:	**October 9, 2004**
Prior Extensions:	Construction loan closing extended from 6/11/04 to 9/9/04.
Reason for Request:	See summary above.
Staff Recommendation:	**Approve extension as requested.**

DELPHI
AFFORDABLE HOUSING GROUP

1717 WEST SIXTH STREET
HARTLAND PLAZA, SUITE 315
AUSTIN, TEXAS 78703
(512) 494-8200
FAX: (512) 494-8201

September 1, 2004

Ms. Edwina Carrington
Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Re: Village of Kaufman Apartments – TDHCA # 03212; Request for extension of closing of construction loan.

Ms. Carrington and Mr. Sheppard:

VK Affordable Housing, L.P. is writing to request the extension of the closing of construction for this project for ninety (90) days from September 9, 2004. We apologize for the timing of this request; we had every reasonable expectation that this request would not be necessary. However, because of the timing of the requests and requirements of Department of Housing and Urban Affairs (HUD) and the Office of Multifamily Housing Assistance Restructuring (the OMHAR), an extension was made necessary as discussed below.

Background

This project is subject to the Mark-To-Market process through OMHAR. Attached is a step-by-step description of the Mark-To-Market Full Restructure Process. The full process can take from 9 months to a year, typically. This project is not only a full restructure, but is also what is known as an Additional Funds Transaction (an AFT). AFTs such as this can take longer than a typical restructure. Step 3 listed in the attached timeline should be expanded. What generally occurs is that the PAE (the Participating Administrative Entity, a contractor that represents OMHAR and in this case a firm called "RER") prepares a financial model and delivers it to the owner. The owner reviews it, makes comments and either revises it and sends it back to the PAE or has the PAE revise it. The PAE then sends it to a contract reviewer for OMHAR for review (together with the financial model, the PAE prepares a draft narrative of a restructure plan that discusses any number of items and sends it and the rent comparability study (the RCS), and the physical condition assessment to the contract reviewer for OMHAR). The reviewer reviews the plan and the model and makes comments and sends it back. The PAE then revises the plan and the model with input from the owner. It then goes back to the reviewer at least once; sometimes twice. Once the reviewer is satisfied, the PAE submits it to OMHAR; in this case the PAE must submit it to OMHAR's Headquarters Loan Committee.

This Project

This process for this project has been even more extensive than described above. Our seller, AIMCO, submitted this project to HUD for restructuring in 2002. OMHAR began the restructuring. They were in the middle of Step 3 referenced in the Full Timeline (they had ordered RCS's and physical condition assessments) when, after reviewing the existing loan documents, OMHAR determined that this project was locked out to prepayment until 12/03; In those cases where the underlying loans are locked out, OMHAR terminates the restructure process until such time as the loans can be repaid. We asked that AIMCO re-submit Village of Kaufman in July, 2003. RER did not re-open the files until November, 2003. Note that Delphi had no ability to re-submit these properties to OMHAR because it was not the borrower or owner.

Between November 2003 and January 2004, RER updated the RCS's and the physical condition assessments. In January 2004, RER sent a baseline financial model for Village of Kaufman for our review. We responded with our comments and a draft of an AFT model. We traded models and comments in February, March, May and June. These revisions were due to OMHAR's reviews and changes to the models. At each revision, we responded timely.

In May and June of 2004 we believed that we had finalized models that would conclude the process with OMHAR. However we received further revisions in July and in August, each weeks apart from the other. RER has only now finalized the Village of Kaufman models to an extent that they feel they can submit it to OMHAR's loan committee. The consideration of the restructure plan for this project has been sent to the regional loan committee and is awaiting submission to the Headquarters Loan Committee. This is essentially the final step in the process, as reflected in the attached time line, other than closing the restructured loans.

In short, OMHAR's process for Mart-To-Market created numerous unexpected delays that were outside of the control of the developer. OMHAR has recognized its responsibility for these delays and even agreed to provide a letter of acknowledgement of such fact.

Because this project has finally been submitted to the regional loan committee, we believe that a commitment is not far off. The timing going forward from an approved commitment is fairly quick. Our syndicators have been kept informed as this process has gone forward and so are ready to go. The lenders also have received copies of the models and can close quickly once a commitment has been issued. Indeed, once a commitment has been issued by OMHAR our lender has said it would be able to close within a couple of weeks. We believe that 90 days from September 9, 2004 would be adequate to close this loan. It only takes a couple of weeks after the models are submitted and approved by committee for a commitment to be issued and thereafter only 30 days to close. Once closed, the rehabilitation of the project can commence immediately and placement in service can be achieved well within TDHCA's deadlines.

We respectfully request that you extend the time for the closing of the loan for 90 days from September 9, 2004. An extension fee in the amount of $2,500 accompanies this request.

If you need any more information about the Mark-To-Market process and its impact on this project, feel free to contact us.

VK Affordable Housing, L.P.

By: Michelle Grandt
Michelle Grandt
Vice President of Delphi Affordable Housing of Kaufman, Inc., General Partner

DELPHI
AFFORDABLE HOUSING GROUP

1717 WEST SIXTH STREET
HARTLAND PLAZA, SUITE 315
AUSTIN, TEXAS 78703
(512) 494-8200
FAX: (512) 494-8201

September 1, 2004

Ms. Edwina Carrington
Mr. Ben Sheppard
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

Re: Fox Run Apartments – TDHCA # 03213; Request for extension of closing of construction loan.

Ms. Carrington and Mr. Sheppard:

FR Affordable Housing, L.P. is writing to request the extension of the closing of construction for this project for ninety (90) days from September 9, 2004. We apologize for the timing of this request; we had every reasonable expectation that this request would not be necessary. However, because of the timing of the requests and requirements of Department of Housing and Urban Affairs (HUD) and the Office of Multifamily Housing Assistance Restructuring (the OMHAR), an extension was made necessary as discussed below.

Background

This project is subject to the Mark-To-Market process through OMHAR. Attached is a step-by-step description of the Mark-To-Market Full Restructure Process. The full process can take from 9 months to a year, typically. This project is not only a full restructure, but is also what is known as an Additional Funds Transaction (an AFT). AFTs such as this can take longer than a typical restructure. Step 3 listed in the attached timeline should be expanded. What generally occurs is that the PAE (the Participating Administrative Entity, a contractor that represents OMHAR and in this case a firm called "RER") prepares a financial model and delivers it to the owner. The owner reviews it, makes comments and either revises it and sends it back to the PAE or has the PAE revise it. The PAE then sends it to a contract reviewer for OMHAR for review (together with the financial model, the PAE prepares a draft narrative of a restructure plan that discusses any number of items and sends it and the rent comparability study (the RCS), and the physical condition assessment to the contract reviewer for OMHAR). The reviewer reviews the plan and the model and makes comments and sends it back. The PAE then revises the plan and the model with input from the owner. It then goes back to the reviewer at least once; sometimes twice. Once the reviewer is satisfied, the PAE submits it to OMHAR; in this case the PAE must submit it to OMHAR's Headquarters Loan Committee.

This Project

This process for this project has been even more extensive than described above. Our seller, AIMCO, submitted this project to HUD for restructuring in 2002. OMHAR began the restructuring. They were in the middle of Step 3 referenced in the Full Timeline (they had ordered RCS's and physical condition assessments) when, after reviewing the existing loan documents, OMHAR determined that this project was locked out to prepayment until 7/03; In those cases where the underlying loans are locked out, OMHAR terminates the restructure process until such time as the loans can be repaid. We asked that

AIMCO re-submit Fox Run in July, 2003. RER did not re-open the files until November, 2003. Note that Delphi had no ability to re-submit these properties to OMHAR because it was not the borrower or owner.

Between November 2003 and January 2004, RER updated the RCS's and the physical condition assessments. In January 2004, RER sent a baseline financial model for Fox Run for our review. We responded with our comments and a draft of an AFT model. We traded models and comments in February, March, May and June. These revisions were due to OMHAR's reviews and changes to the models. At each revision, we responded timely.

In May and June of 2004 we believed that we had finalized models that would conclude the process with OMHAR. However we received further revisions in July and in August, each weeks apart from the other. RER has only now finalized the Fox Run models to an extent that they feel they can submit it to OMHAR's loan committee. The consideration of the restructure plan for this project has been sent to the regional loan committee and is awaiting submission to the Headquarters Loan Committee. This is essentially the final step in the process, as reflected in the attached time line, other than closing the restructured loans.

In short, OMHAR's process for Mart-To-Market created numerous unexpected delays that were outside of the control of the developer. OMHAR has recognized its responsibility for these delays and even agreed to provide a letter of acknowledgement of such fact.

Because this project has finally been submitted to the regional loan committee, we believe that a commitment is not far off. The timing going forward from an approved commitment is fairly quick. Our syndicators have been kept informed as this process has gone forward and so are ready to go. The lenders also have received copies of the models and can close quickly once a commitment has been issued. Indeed, once a commitment has been issued by OMHAR our lender has said it would be able to close within a couple of weeks. We believe that 90 days from September 9, 2004 would be adequate to close this loan. It only takes a couple of weeks after the models are submitted and approved by committee for a commitment to be issued and thereafter only 30 days to close. Once closed, the rehabilitation of the project can commence immediately and placement in service can be achieved well within TDHCA's deadlines.

We respectfully request that you extend the time for the closing of the loan for 90 days from September 9, 2004. An extension fee in the amount of $2,500 accompanies this request.

If you need any more information about the Mark-To-Market process and its impact on this project, feel free to contact us.

FR Affordable Housing, L.P.

By: Michelle Grandt

Michelle Grandt
Vice President of Delphi Affordable Housing of Orange, Inc., General Partner

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
Suite 300
Austin, Texas 78701-4042

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email: cbast@lockeliddell.com

August 11, 2004

Ms. Brooke Boston
Texas Department of Housing and Community Affairs
507 Sabine
Austin, Texas 78701

VIA HAND DELIVERY

Re: Desert Breeze, Ltd. (the "Partnership")
TDHCA File No.: 03220

Dear Brooke:

AUG 12 AM8:49

Our firm represents the Partnership. The Partnership previously requested and was granted a 90-day extension (the "Initial Request") for the construction loan closing deadline. This request was due to circumstances that were beyond the control of the Partnership and unanticipated at the time of application, revolving around the annexation of the property.

As described in the Initial Request, the property on which the project will be developed was annexed by Horizon City, and the annexation resulted in a change of zoning for the property. The Partnership continues to diligently pursue the change of zoning, but the process has been slower than expected, again due to unforeseen circumstances.

After this annexation, Horizon City imposed a moratorium on new development. As a result, the zoning change for the Partnership was stalled. The Partnership and others worked to get the moratorium lifted and were successful in doing so; the moratorium is no longer a barrier.

Not expecting the moratorium, the Partnership reasonably believed that the 90-day extension submitted in the Initial Request would be adequate to get to construction loan closing. Now, with 30 days left to go in that extension period and the zoning still outstanding, the Partnership feels it must ask for another 30-day extension. The Partnership believes that an additional 30 days will allow the zoning change to be completed so that the lender will be able to make its construction loan.

The Partnership regrets the need to make the request and appreciates your understanding of the unusual circumstances that have arisen in Horizon City.

We have enclosed a check in the amount of $2,500, payable to the Department, to support this request. If you need any additional information about this situation, please feel free to contact me.

Thank you for your consideration.

Sincerely,

Cynthia L Bast

Cynthia L. Bast

cc: Ike Monty
Yolanda Giner

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST
September 9, 2004

Action Item

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

Requested Action

Approve or deny the requests for amendments.

Background and Recommendations

Pertinent facts about the developments requesting amendments are summarized below. The recommendation of staff is given at the end of each write-up.

Heritage Pointe Apartments, HTC Development No. 03001

Summary of Request: This development received a forward commitment in 2002 for a 2003 allocation. Construction is anticipated to be completed in November of this year. The applicant requests approval to substitute vinyl for the ceramic tile that was proposed for use in the entries, kitchens and bathrooms. The tile was worth two (2) points in the application. The applicant also requests approval to substitute a different feature for the heat lamps in the bathrooms. The heat lamps were part of an amenity package that was worth one (1) point. The full package that was worth one point included heat lamps and vent fans in all bathrooms and ceiling fixtures with accessible wall switches in all rooms. The substitute for the features described would be the installation of greater than 75% exterior masonry on all buildings. The masonry would have been worth three (3) points in the application. The items to be replaced would therefore have been worth the same number of points as the item to be substituted. The application proposed 50% masonry exterior; therefore, the additional masonry proposed would add approximately 25% to the original proposal. This request involves material changes in the application because the changes are a “significant modification of the architectural design”, as stated in the QAP.

Governing QAP:	2003 QAP, Section 49.18(c)(4)
Applicant:	Eagle’s Point Housing Partners, Ltd.
General Partner:	NDG-Eagle Point, LLC, managing GP Victory Family Ministry, Co-GP
Principals/Interested Parties:	Robert Hoskins, owner of managing GP
Syndicator:	SunAmerica
Construction Lender:	Bank One
Permanent Lender:	Fannie Mae/Capri Capital
Other Funding:	NA
City/County:	Austin/Travis
Set-Aside:	General/Elderly
Type of Development:	New Construction
Units:	192 HTC and 48 market rate units
2003 Allocation:	$1,200,000
Allocation per HTC Unit:	$6,250
Prior Board Actions:	Extended deadline to close construction loan to 7/1/04
Underwriting Reevaluation:	Real Estate Analysis Division’s findings are pending.
Staff Recommendation:	**Approve the request.**

NuRock Companies
700 E. Sandy Lake Road ◈ Suite 146 ◈ Coppell, Texas 75019
Phone 972-745-0756 ◈ Fax 972-745-2190

Wednesday, July 14, 2004

DELIVERED VIA FAX
512-475-0764

Ben Sheppard
Texas Department of Housing & Community Affairs
507 Sabine, Suite 400
Austin, TX 78711

Re: TDHCA File #03001
Heritage Pointe Apartments – f.k.a. Eagle's Point Apartments

Dear Ben:

With respect to Heritage Pointe Apartments, TDHCA File #03001 (formerly known as Eagle's Point Apartments), we request your approval of the following change:

- Eliminate ceramic tile in unit entries, kitchens and bathrooms. This was a two-point scoring item.
- Eliminate heat lights in bathrooms. This was a one-point scoring item.
- Substitute greater than 75% exterior masonry exteriors. This is a three-point scoring item.

In summary, the net effect of these changes is that our score for amenities would not be affected.

Please authorize these changes by signing below and returning, via fax, to 972-745-2190.

Very truly yours,

EAGLE'S POINT HOUSING PARTNERS, LTD.
By: NDG-Eagle's Point, LLC, its general partner

By: ______________________
Robert H. Voelker, Authorized Agent

AUTHORIZATION:

I hereby authorize the above-listed changes.

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

By: ______________________ Date: ______________________

<u>Wright Senior Apartments, HTC Development No. 03081</u>

<u>Summary of Request</u>: Applicant requests approval to decrease the number of covered parking spaces from 158 to 130. Application scored two points for proposing one covered space per unit, but even without the two points scored, applicant would still have been recommended for an award. Applicant proposes to provide a swimming pool in substitution for the covered parking that would be lost.

Governing QAP:	2003 QAP, Section 49.18(c)(4)
Applicant:	Wright Senior Apartments, L.P.
General Partner:	Good Landing, Inc.
Principals/Interested Parties:	Hal Thorne, Dean Dauley – each is 50% owner of GP
Syndicator:	Lend Lease Real Estate Investments
Construction Lender:	Malone Mortgage Company
Permanent Lender:	Malone Mortgage Company
Other Funding:	NA
City/County:	Grand Prairie/Dallas
Set-Aside:	General/Elderly
Type of Development:	New Construction
Units:	123 HTC and 31 market rate units
2003 Allocation:	$756,742
Allocation per HTC Unit:	$6,152
Prior Board Actions:	App
Underwriting Reevaluation:	Real Estate Analysis Division found that no change in the original recommendation would have resulted from the proposed change in the development.

Staff Recommendation:	**Approve the request.**

WRIGHT SENIOR APARTMENTS, L.P.
Post Office Box 530591, Grand Prairie, Texas 75053-0591
Phone: 972-262-2608 ~ Fax: 972-263-5220

August 6, 2004

VIA FACSIMILE
1-512-475-0764

Ben Sheppard
Multifamily Housing Specialist
TDHCA LIHTC Program
507 Sabine, Suite 300
Austin, Texas 78701

RE: TDHCA Number 03081; Wright Senior Apartments, Grand Prairie, Texas
Request for substitution of points on application

Dear Mr. Sheppard:

Our application showed 158 covered parking spaces and 130 open parking spaces. Our plans show 130 covered parking spaces and 158 open parking spaces. If we do not change or get a waiver, we could be penalized two (2) points and that would take us down to nine (9) points for the subject section of our application.

We are constructing a swimming pool which we did not commit to do. We would like to request that the pool replace the thirty (30) covered parking spaces so we would still get ten (10) points credit instead of nine (9) points. The pool cost is $75,000.00 and the additional covered parking would be $15,000.00.

Your assistance in getting this accomplished would be greatly appreciated.

Very truly yours,

WRIGHT SENIOR APARTMENTS, L.P.

Dean I Dauley

DEAN I. DAULEY

(972) 262-4122

DID/vtr

cc: John Shackelford, Esq.
Novogradac - Attn: Jeff Crozier
Malone Mortgage Company - Attn: Jeff Rogers
ARCCON – Attn: Ben Ballard
TDHCA-LIHTC – Attn: Kimball Thompson
ICI Construction – Attn: Donnie Boone

MULTIFAMILY FINANCE PRODUCTION DIVISION

REPORT OF CHANGES IN OWNERSHIP
September 9, 2004

Items Reported

Changes made in 2004 in the ownership structure of multifamily developments are summarized on the spreadsheet that follows this page. The changes listed include all that were reported to the Department by owners requesting the Department's approval for changes in compliance with 2306.6713 Texas Government Code.

MULTIFAMILY FINANCE PRODUCTION DIVISION
REPORT OF CHANGES IN OWNERSHIP
September 9, 2004

Dev. No.	Date Approved	Development	City	County	Region	**Entity Departing** (GP=general partner, O=owner, SLP=special limited partner)	New Member or Owner	**Type of Ownership Change** (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner)
94080	1/15/04	Northwood Forest Apts.	Houston	Harris	6	Partners Northwood, Ltd.; Contact Maynard Fernandez	Banc of America CDC Special Holding Company, Inc. (GP). Contact Brian Roop	**FS** - Bank of America foreclosed on the property and will operate it.
03007	1/6/04	Bexar Creek Apts.	San Antonio	Bexar	9	None	LCJ Management, Inc.	**R** - LCJ (Lawrence, Charles and James Washburn) are the general contractors and co-developers and were added to the owner at the request of TDHCA.
94063	1/6/04	Corona Del Valle Apts.	El Paso	El Paso	13	Bricklayers Texas Housing Corporation	Texas Housing Finance Corporation Special (GP)	**D** - THFC removed the GP for default.
94063	1/6/04	Corona Del Valle Apts.	El Paso	El Paso	13	Corona Del Valle Housing Corporation	Texas Housing Finance Corporation Special (GP)	**D** - THFC removed the GP for default.
03028	1/7/04	Mill Creek Village Apts.	Longview	Gregg	4	Wilhoit Green Street Apartments, LP	Mill Creek Village, LP	**NC** - Owner changed names.
03028	1/7/04	Mill Creek Village Apts.	Longview	Gregg	4	Wilhoit Green Street Housing, LLC	Mill Creek Housing Investments, LLC	**NC** - GP changed names.
03028	1/7/04	Mill Creek Village Apts.	Longview	Gregg	4	Green Steet Apartments	Mill Creek Village Apartments	**NC** - Development changed names.
03456	2/5/04	Timber Ridge II Apts.	Houston	Harris	6	Beinhorn Partners, LP (GP); Contact Chris Richardson, Joyce Bennett	Blazer Land, LLC (GP)	**NC** - Correction of a mistake in naming the owner in the application. Principals remained the same.
95027	3/12/04	Western Redd Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Housing Authority of the City of El Paso. Rudolf Montiel, Executive Director.	**S** - Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.
95028	3/12/04	Western Yarbrough Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Housing Authority of the City of El Paso. Rudolf Montiel, Executive Director.	**S** - Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.
97023	3/12/04	Western Crosby Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Housing Authority of the City of El Paso. Rudolf Montiel, Executive Director.	**S** - Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.

MULTIFAMILY FINANCE PRODUCTION DIVISION
REPORT OF CHANGES IN OWNERSHIP
September 9, 2004

Dev. No.	Date Approved	Development	City	County	Region	**Entity Departing** (GP=general partner, O=owner, SLP=special limited partner)	New Member or Owner	**Type of Ownership Change** (S=sale. FS=sale involving foreclosure. R=restructure. D=default/removal of GP. NC=name change. L=change of limited partner)
97025	3/12/04	Western Carolina Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Housing Authority of the City of El Paso. Rudolf Montiel, Executive Director.	**S -** Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.
97088	3/12/04	Western Burgundy Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Housing Authority of the City of El Paso. Rudolf Montiel, Executive Director.	**S -** Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.
98093	3/12/04	Lee Seniors Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Housing Authority of the City of El Paso. Rudolf Montiel, Executive Director.	**S -** Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.
99097	3/12/04	Western Eastside Seniors Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Housing Authority of the City of El Paso. Rudolf Montiel, Executive Director.	**S -** Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.
94164	3/5/04	Windsor Pointe Apts.	College Station	Brazos	8	W.O. Brisben Companies, Inc.	MBS GP 94, L.L.C.	**D -** Brisben was removed as GP by SunAmerica and replaced by an affiliate of McCormick Baron Salazar.
96156	3/5/04	Centerville Pointe Apts.	Garland	Dallas	3	W.O. Brisben Companies, Inc.	MBS GP 45, L.L.C.	**D -** Brisben was removed as GP by SunAmerica and replaced by an affiliate of McCormick Baron Salazar.
98104	3/5/04	Parkland Pointe Apts.	Arlington	Tarrant	3	Brisben Parkland, Inc.	MBS GP 52, L.L.C.	**D -** Brisben was removed as GP by SunAmerica and replaced by an affiliate of McCormick Baron Salazar.
99059	3/5/04	Mainland Crossing Apts.	Texas City	Galveston	6	Heritage Huron Group, Inc.	MBS GP 44, L.L.C.	**D -** Brisben was removed as GP by SunAmerica and replaced by an affiliate of McCormick Baron Salazar.

MULTIFAMILY FINANCE PRODUCTION DIVISION
REPORT OF CHANGES IN OWNERSHIP
September 9, 2004

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95008	3/19/04	Brookview Apts.	Dallas	Dallas	3	Dove Creek Limited Partnership (transfer via deed) (Richard Wagner, Executive Director of nonprofit GP, AHM Foundation, Inc.)	Miles-Regal Brook, LLLP; Contact Ken Doble, Joyce Bevel.	**S -** Sale from a nonprofit to a Georgia real estate investment firm, Miles Properties, that affiliated with a Texas nonprofit GP, Commonwealth Housing.
70134	3/29/04	French Embassy Apts.	Austin	Travis	7	French Embassy Associates, L.P.	Heartland Wanaka Limited Partnership	**S -** Sale to a new investor.
03069	3/16/04	Crockett Cole Creek Apts.	Crockett	Houston	6	Hill Country Community Housing Corporation (GP)	Crockett Cole Creek Housing Corporation (GP)	**R -** Restructure in which original nonprofit was replaced by its subsidiary.
93204	3/29/04	Williamsburg Apts.	Grand Prairie	Dallas	3	Williamsburg Acquisition, LP (O)	ECOM WillMax Williamsburg L.P. (O)	**S -** Sale to a new investor.
04002	5/6/04	Cricket Hollow Apts.	Willis	Montgomery	6	Cricket Hollow Development, LLC (GP)	Cricket Hollow Development, Inc. (GP)	**NC -** Name change, only.
04002	5/6/04	Cricket Hollow Apts.	Willis	Montgomery	6	Hyperion Services, Inc. (O)	Hyperion Holdings, Inc. (O)	**NC -** Name change, only.
03176	5/14/04	Binz Ranch Apts.	San Antonio	Bexar	9	Agape Northeast San Antonio, Inc.	Merced-Binz, LLC (owned by Merced Housing Texas)	**R -** Agape (a nonprofit) was replaced by Merced (a nonprofit).
03136	5/24/04	Tigoni Villas	San Antonio	Bexar	9	Melanie Bunstine	Cathy Graugnard is now sole owner.	**R -** Melanie Bunstine departed leaving Cathy Graugnard as sole member of GP.
99197	6/2/04	Sun Meadows Apts.	Alamo	Hidalgo	11	Amstar Builders and Developers, LLC (HUB)	Community Action Corporation of South Texas (NP)	**D -** Simpson Housing Solutions replaced HUB with a NP.
03011	6/3/04	Jefferson Davis Artist Lofts	Houston	Harris	6	None	Jeff Davis, LLC	**R -** Original GPs will become sole members of new GP
04403	6/21/04	Stonehouse Valley Apts.	San Antonio	Bexar	9	American Opportunities for Housing, Inc.(sole member of GP)	Mexican American Unity Council (new sole member of GP)	**R -** One nonprofit was replaced by another.
00133	6/24/04	Cameron Village Apts.	Alice	Jim Wells	10	Patlan Multi-Housing Group (Juan Patlan)	Community Action Corporation of South Texas (NP)	**D -** Simpson Housing replaced HUB with a NP.

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94021	6/25/04	Bristol Court Apts.	Houston	Harris	6	Bristol Partners, L.P.	Juniper South Course, LLC	**S -** Dee Ann Duffield sold to Joseph Rippeto.
94022	6/25/04	Woods of North Park Apts.	Houston	Harris	6	D&B Housing Opportunities Limited Partnership IV, L.P.	Juniper Imperial Valley, LLC	**S -** Dee Ann Duffield sold to Joseph Rippeto.
94023	6/25/04	Creekwood Apts.	Houston	Harris	6	Creekwood Associates, L.P.	Juniper Northwest Freeway, LLP	**S -** Dee Ann Duffield sold to Joseph Rippeto.
06871	7/23/04	Surrey Row Apts.	Dallas	Dallas	3	Surrey Row Limited Partnership	BRAMA Surrey Row, Ltd.	**S -** Jill Schreck sold to Jeffrey A. Barnes, Arthur Z. Barnes and Christopher Thomson
01116	8/19/04	Bienvivir Parkside Senior Community	El Paso	El Paso	13	Bienvivir Senior Health Services	Bienvivir Parkside	**R -** Restructure in which original nonprofit was replaced by its subsidiary.
91029	8/12/04	Groveton Senior Apts.	Groveton	Trinity	5	Groveton Seniors Partnership, Ltd.	Affordable Housing Partners, LLC	**S -** Joyce Middleton sold to Kerry Banks
92156	8/12/04	Alto Seniors Apts.	Alto	Cherokee	4	Alto Seniors Partnership, Ltd.	Affordable Housing Partners, LLC	**S -** Joyce Middleton sold to Kerry Banks
93002	8/12/04	Livingston Seniors Apts.	Livingston	Polk	5	Livingston Seniors Partnership, Ltd.	Affordable Housing Partners, LLC	**S -** Joyce Middleton sold to Kerry Banks
95076	8/12/04	The Willows Apts.	Smithville	Bastrop	7	The Willows Apartments Partnership, Ltd.	Affordable Housing Partners, LLC	**S -** Joyce Middleton sold to Kerry Banks
97128	8/12/04	San Augustine Seniors Apts.	San Augustine	San Augustine	5	San Augustine Seniors Partnership, Ltd.	Affordable Housing Partners, LLC	**S -** Joyce Middleton sold to Kerry Banks
98080	8/12/04	Pine Meadows Apts.	Rusk	Cherokee	4	Pine Meadows Partnership, Ltd.	Affordable Housing Partners, LLC	**S -** Joyce Middleton sold to Kerry Banks
95024	8/30/04	Saul Kleinfeld Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Affordable Housing Saul Kleinfeld, LLC (GP); Housing Authority of the City of El Paso.	**S -** Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.
96067	8/30/04	Western Pebble Hills Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Affordable Housing Western Pebble Hills, LLC (GP); Housing Authority of the City of El Paso.	**S -** Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.

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96068	8/30/04	Western Pellicano Apts.	El Paso	El Paso	13	Investment Builders, Inc. (GP); Ike Monty, President.	Affordable Housing Western Pellicano, LLC (GP); Housing Authority of the City of El Paso.	**S -** Sale in settlement of dispute involving the City, PHA and former owner. Dispute involved an HTC application made by Ike Monty and the PHA.

EXECUTIVE DIRECTORS REPORT
AUGUST 19, 2004

1. **<u>National Award for Excellence in Community Action for Community Action Council of South Texas</u>**
The Community Action Partnership has recognized two outstanding Community Action Agencies with the 2004 Award for Excellence in Community Action. The award was created to showcase CAAs who demonstrate agency-wide excellence through adherence to the vision, values and promise of Community Action. This year's Award recipients were selected for their proven capacity to achieve excellence by addressing 40 quality standards. One award winner is the Community Action Council of South Texas in Rio Grande City, Texas and they will be recognized for their work as a community action agency that has excelled in all facets of their program operations. They have been in existence for over 40 years. Official presentation of this award will take place in Washington, DC on September 1, 2004 at the "*No Room for Poverty Rally*".

2. **<u>Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for July, 2004</u>**
Outreach activities on the part of TDHCA Management and staff for July and August 2004. Information provided focuses primarily on activities that Executive and staff have taken on voluntarily, as opposed to those mandated by the Legislature. TDHCA conducted and/or participated in 9 training events, roundtable discussions; attended board meetings for 3 other state agencies; attended 6 conferences (several staff went to each conference); attended 8 legislative hearings and many meetings with external constituents. Attached chart provides the name of the event; location, date of the event, division(s) participating in the event and explanation of what role staff played in the event.

3. **<u>Special Recognition Award from Community Affairs Division</u>**
Special recognition awards were given at the Community Affairs Executive Directors Conference held in San Antonio, Texas on July 27-29, 2004. Two of these awards were presented to TDHCA staff members who were recognized for work they have done for the Community Affairs Division. A Certificate of Appreciation in recognition and appreciation for legal expertise and assistance provided by the Community Affairs Division and her staunch advocacy on behalf of low income citizens in Texas was presented to Anne Reynolds, Deputy General Counsel. The second Certificate of Appreciation for valuable assistance to the Community Affairs Division was presented to Ricardo Medina, Information Systems Division.

4. **Legislative Budget Board and Governor's Budget Office Hearing on Legislative Appropriations Request on September 23rd**
The Department will present our Legislative Appropriations Request at this hearing.

5. **Senate Intergovernmental Relations Committee on Charge 2 (Relating to Urban / Ex Urban) Meeting with Staff on September 14th**
The Department will testify at this meeting on September 14th.

EXECUTIVE SESSION

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

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning an Investigation by the Brazoria County Criminal District Attorney on Forged Letters Concerning Tranquility Bay Apartments

Consultation with Attorney Pursuant to §551.071, Texas Government Code, Concerning Pending or Contemplated Litigation

OPEN SESSION

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

Executive Directors Report

1. National Award for Excellence in Community Action for Community Action Council of South Texas
2. Department Outreach Activities – Meetings, Trainings, Conferences, Workshops for July and August, 2004
3. Special Recognition Award from Community Affairs Division
4. Legislative Budget Board and Governor's Budget Office Hearing on Legislative Appropriations Request on September 23rd
5. Senate Intergovernmental Relations Committee on Charge 2 (Relating to Urban / Ex Urban**)** Meeting with Staff on September 14th

ADJOURN Elizabeth Anderson

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

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

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

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