

BOARD MEETING OF JUNE 14, 2007

Beth Anderson, Chair

C. Kent Conine, Vice-Chair



Shadrick Bogany, Member

Sonny Flores, Member

Norberto Salinas, Member

Gloria Ray, 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

June 14, 2007

ROLL CALL

| | Present | Absent |
|-----------------------------|---------|--------|
| Anderson, Beth, Chair | _____ | _____ |
| Conine, C. Kent, Vice-Chair | _____ | _____ |
| Bogany, Shadrick, Member | _____ | _____ |
| Ray, Gloria, Member | _____ | _____ |
| Flores, Sonny, Member | _____ | _____ |
| Salinas, Norberto, Member | _____ | _____ |
| Number Present | _____ | |
| Number Absent | | _____ |

_____, Presiding Officer

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

**June 14, 2007
9:30 am
Capitol Auditorium**

A G E N D A

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

Elizabeth Anderson
Chair of Board

- Lender of the Year Award

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.

- Public Presentation of the Results of the Home Program Advisory Task Force

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

CONSENT AGENDA

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

Item 1: Approval of the following items presented in the Board materials:

General Administration Items:

- a) Minutes of the Board Meeting of May 10, 2007

Legal Items

- b) Presentation, Discussion and Possible Action of Request for Proposals (RFP) for Bond Counsel
- c) Presentation, Discussion and Possible Action of Request for Proposals (RFP) for Bond Disclosure/Securities Counsel.

Multifamily Finance Production Items:

- d) Presentation, Discussion and Possible Action for Housing Tax Credit Amendments:
 - 07093 Cypresswood Crossing Orange
- e) Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers:
 - 07414 Costa Clemente, Angleton, Brazoria County, Texas
Southeast Texas HFC is the Issuer
Recommended Credit Amount of \$765,671
- f) Presentation, Discussion and Possible Action for Memorandum of Understanding (MOU) between the Texas Bond Review Board and TDHCA for the Issuance of 501(c)(3) bonds

- g) Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds and Housing Tax Credits with TDHCA as the Issuer:

07620 Windshire Apartments, Houston, Texas for a bond Amount Not to Exceed \$15,000,000 and the Issuance of a Determination Notice Recommended Credit Amount of \$1,195,903. Resolution No. 07-016

- h) Presentation, Discussion, and Possible Action for the Inducement Resolution Declaring Intent to Issue Multifamily Housing Mortgage Revenue Bonds for Developments Throughout the State of Texas and Authorizing the Filing of Related Applications for the Allocation of Private Activity Bonds with the Texas Bond Review Board for Program Year 2007, Resolution No. 07-015:

07625 Costa del Rey Houston

Texas Homeownership Program Division Items:

- i) Presentation, Discussion and Possible Approval of Amendment to Master Servicer Contract
- j) Presentation, Discussion and Possible Approval of Participating Lender List for Single Family Mortgage Revenue Bond (MRB) Program 69

HOME Division Items:

- k) Presentation, Discussion and Possible Approval of HOME Division Owner Occupied Housing Assistance for disaster relief recommendation:

2006-0221 Starr County

Community Affairs Division:

- l) Presentation, Review and Approval of the draft Program Year (PY) 2008 Low Income Home Energy Assistance Program (LIHEAP) State Plan for posting to the TDHCA website and Public Comment
- m) Presentation, Review and Approval of draft Community Services Block Grant (CSBG) State Plan for 2008-2009 for posting to the TDHCA website and Public Comment

Portfolio Management and Compliance Division

- n) Presentation, Discussion and Possible Approval of Request for Amendments to HOME Investment Partnerships Program Contracts:

1000217 Cameron County

ACTION ITEMS

Item 2: Presentation, Discussion and Possible Approval of Multifamily Division Items – Specifically Housing Tax Credit Items:

- a) Presentation, Discussion and Possible Action for Housing Tax Credit Amendments

| | | |
|--------|-------------------------------|-------------|
| 04036 | Villa del Sol | Brownsville |
| 060148 | Pineywoods Orange Development | Orange |
| 060149 | Women's Shelter of East Texas | Lufkin |

- b) Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit Appeals

| | | |
|-------|-------------------------------------|------------|
| 07190 | Stephen Austin School Apartments | Greenville |
| 07191 | Washington Hotel Lofts | Greenville |
| 07192 | Historic Lofts of Waco High | Waco |
| 07210 | New Hope Housing at Bray's Crossing | Houston |
| 07291 | Cypress Creek at Reed Road | Houston |
| 07302 | Casa Alton | Alton |

Appeals Timely Filed

Item 3: Presentation, Discussion and Possible Approval of HOME Division Items:

- a) Presentation, discussion and possible action for the 2007 HOME Rental Housing Development appeals:

| | | |
|-------|---------------------|---------------|
| 07263 | Constitution Court | Copperas Cove |
| 07340 | Copper Creek Homes | Hudson |
| 07343 | Parkwood Apartments | Nixon |

All other appeals filed timely

Item 4: Presentation, Discussion and Possible Approval of Disaster Recovery Division Items – Specifically FEMA Alternative Housing Pilot Program Application Program:

- a) Presentation, Discussion and Possible Approval of FEMA Alternative Housing Pilot Program Application Program (AHPP) Strategy

Item 5: Presentation, Discussion and Possible Approval of Portfolio Management & Compliance Division Items:

- a) Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Investment Partnerships Program Contracts

| | |
|---------|--------------------|
| 542061 | City of La Feria |
| 1000020 | City of Cotulla |
| 1000253 | City of Lewisville |
| 1000501 | City of Splendor |

Item 6: Presentation, Discussion and Possible Approval of Real Estate Analysis Division Items:

- a) Presentation Discussion and Possible Action for the 2007 Competitive Housing Tax Credits Appeals of Credit Underwriting Reports

| | | |
|-------|----------------------------|---------|
| 07235 | Woodchase Senior Community | El Paso |
|-------|----------------------------|---------|

Appeals Timely Filed

EXECUTIVE SESSION**Elizabeth Anderson**

- a) The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
- b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee
1. Discussion relating to the salary for Acting Director of Internal Audit
 2. Deliberations on hiring of Internal Auditor
- c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:
1. With Respect to pending litigation styled *Dever v. TDHCA* Filed in Federal Court
 2. With Respect to pending litigation styled *Ballard v. TDHCA* Filed in Federal Court
 3. With respect to possibility of requesting of an Attorney General Opinion regarding the use of legislative intent for rule development
 4. With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting

OPEN SESSION**Elizabeth Anderson**

Action in Open Session on Items Discussed in Executive Session

REPORT ITEMS

1. Executive Director's Report
2. TDHCA Outreach Activities, May 2007
3. Monthly Report on HOME Amendments Granted
4. Legislative Update
5. 2007 Competitive Housing Tax Credit Challenges
6. Summary of Developer Actions for Residences on Old Denton Bond Transaction

ADJOURN

Elizabeth Anderson

To access this agenda & details on each agenda item in the board book, please visit our website at www.tdhca.state.tx.us or contact Nidia Hiroms, 512-475-3934; TDHCA, 221 East 11th St, Austin, TX 78701, and request the information.

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

Non-English speaking individuals who require interpreters for this meeting should contact Nidia Hiroms, 512-475-3934 at least three days before the meeting so that appropriate arrangements can be made. Personas que hablan español y requieren un intérprete, favor de llamar a Jorge Reyes al siguiente número (512) 475-4577 por lo menos tres días antes de la junta para hacer los preparativos apropiados.

TEXAS HOMEOWNERSHIP DIVISION

LENDER OF THE YEAR AWARDS

June 14, 2007

As part of June's celebration of Homeownership Month, the staff and TDHCA Governing Board would like to recognize the lending community for their contributions to affordable housing and their efforts to increase the homeownership rate in Texas. Through the issuance of low interest rate mortgage revenue bond loans, the Texas First Time Homebuyer Program, in conjunction with its network of participating lenders, originated over \$280 million in mortgage loans in 2006 and enabled approximately 2,500 individuals and families to experience the benefits of homeownership. As a result of increased program awareness in the lender community, the program experienced its most successful year to date and provided homeownership opportunities to individuals and families across the state.

In recognition of their efforts, the TDCHA Governing Board is recognizing the top lending institution and top producing loan officer under the Texas First Time Homebuyer Program. The lenders were selected from the current group of 40+ participating lending institutions. The selection criteria included five factors with a corresponding percentage assigned to each factor: 40 percent for the highest number of loan originations, 25% for the lowest borrower income level served, 20 percent for the highest number of minority homebuyer loans originated, 10 percent for the smallest average loan amount and 5 percent for the number of participating branch offices or most counties served and overall program performance.

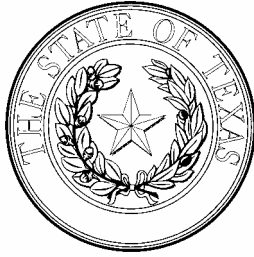
The following Lenders have been selected for recognition of their achievements.

Countrywide Home Loans, Inc. – “Lender of the Year”

In 2006, Countrywide originated 331 loans totaling over \$32 million. Their homebuyer's average area median family income was 71% and 47% of the loans originated were made to minority homebuyers. They also have 93 branch offices located within the state. Countrywide also allows mortgage brokers to deliver loans through their wholesale division. As a result, an additional 71 loans were originated and funded totaling over \$8 million.

Connie Tharp, Wells Fargo Bank, Houston - “Loan Officer of the Year”

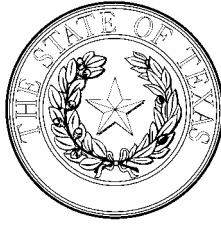
In 2006, Ms. Tharp originated and closed 31 loans under the Texas First Time Homebuyer Program. This represents one of the largest levels of loan originations by an individual loan officer. She has worked in the banking industry for over 10 years and has participated in the Texas First Time Homebuyer Program for 2 years. The majority of her day to day business consists of working with first time homebuyers; she is an asset to the mortgage banking industry and is truly committed to providing affordable housing to all Texans.



**TDHCA HOME Program Advisory Task Force
Thursday, June 14, 2007
Presentation to TDHCA Governing Board
9:30 AM Capitol Extension Auditorium**

| <u>Topic</u> | <u>Speaker</u> | <u>Time Allotted</u> |
|--|-----------------------------|-----------------------------|
| Overview of the HOME Task Force | Brooke Boston | 5 mins |
| Presentation on Loans vs. Grants and Match Requirements (Issues #2 & #8) | The Honorable Jerry C. Agan | 10 mins |
| Questions & Answers | | 5 mins |
| Presentation on Multifamily Issues (Issue #11) | Cynthia Bast | 10 mins |
| Questions & Answers | | 5 mins |
| Presentation on Expenditure Rates, Contract Terms, & Benchmarks (Issues #1, #3, & #4) | Tres Davis or Designee | 10 mins |
| Questions & Answers | | 5 mins |
| Presentation on Distribution of Funds, HBA, & Bootstrap (Issues #5, #9, & #10) | Matt Hull | 10 mins |
| Questions & Answers | | 5 mins |
| Presentation on CHDO Issues (Issues #6 & #7) | Don Currie & Michael Hunter | 10 mins |
| Questions & Answers | | 5 mins |
| Conclusion | TDHCA Governing Board | 10 mins |

Note: 90 Minutes have been set-aside for this presentation



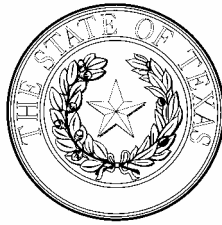
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

HOME Investment Partnerships Program Advisory Task Force Report



June 7, 2007

THIS DOCUMENT DOES NOT REFLECT THE VIEWS OF TDHCA OR THE TDHCA GOVERNING BOARD. THIS DOCUMENT IS A PRODUCT OF THE HOME INVESTMENT PARTNERSHIP PROGRAM ADVISORY TASK FORCE.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

HOME Investment Partnerships Program Advisory Task Force External Focus Group Report

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An Introduction to the HOME Program Advisory Task Force

The HOME Investment Partnerships Program (HOME) is one of the State's most effective tools for providing affordable housing to low-income Texans. The program's flexibility allows the state to assist communities in revitalizing existing substandard housing through owner occupied rehabilitation, help provide home ownership with down-payment assistance, and help those who would otherwise be unable to achieve safe affordable housing through rental assistance programs, including funds targeted for persons with special needs. These funds are also used to help improve Colonias, assist people with Contract for Deed Conversions, promote Rental Housing Preservation and development needs, and to assist Community Housing Development Organizations (CHDOs) in their work to help Texans in need. The State of Texas HOME Program (HOME Program) is administered by the Texas Department of Housing and Community Affairs (TDHCA) and receives approximately \$40 million annually in federal funding from the U.S. Department of Housing and Urban Development (HUD).

Each year, TDHCA's governing Board approves a Consolidated Plan that reflects their goals for the programming of the annual HOME allocation. The plan identifies what eligible activities will be targeted, ensures that the annual allocation of funds meets all federal and state set-asides and provides for compliance with all state and federal regulations. Additionally, the plan ensures that the HOME Program funds, when necessary, are allocated in accordance with a statutory regional allocation formula that provides for dissemination of funds across all regions of the state and in both rural and urban/exurban areas.

In 2005 TDHCA began developing strategies to improve program performance and address the delay in intended beneficiaries receiving the benefits of awarded funds. TDHCA's Board also began a more thorough evaluation of program policies in an effort to improve program delivery and stretch this resource. As a result of these efforts, TDHCA released a series of proposed changes to the HOME Program Rules (10 TAC, Part 53) and application guidelines in December 2005. The Department also reviewed its current contracts to make efforts to accelerate delivery of benefits.

TDHCA conducted public hearings and roundtable meetings to collect public comment on the proposed modifications. After completing a thorough review of all collected public comment, the new HOME Program Rules were adopted by the Board in February 2006. Through the new rules, the Board and staff sought to broaden delivery of HOME Program funds to communities across Texas, ensure the appropriate and expeditious use of funds, assure that the neediest Texans would benefit directly from the program by imposing a five-year affordability period, and put mechanisms in place that would improve the long-term viability of the program. TDHCA has continued to receive comment from HOME Program participants on issues related to the rule changes as well as other aspects of program activities.

TDHCA has also recently set a goal of improving program administration in a way that improves the Department's national ranking as measured by HUD guidelines. To develop creative approaches to meet this challenge, staff has internally identified issues that warrant further scrutiny and possible change. Part of this process is to utilize the enormous experience and talents of people identified as leaders in the program. This combines the ability to address public comment and identify potential program changes to help achieve TDHCA's goal by examining all the issues from a variety of viewpoints. To maximize creative approaches TDHCA has taken on a comprehensive evaluation of the State's HOME Program by creating the HOME Program Advisory Task Force (the Task Force).

These measurements identified by HUD are considered an important indicator of success in distributing the funds. Elected leaders at the state and national level review this performance measure to provide guidance on how well the program is perceived to be performing. These measurements may also impact the level of funding for the program overall and for the state program in particular. They also are used by HUD when special issues arise, such as disaster needs, as a factor in considering whether to grant waivers on the use of funds.

More directly, many of the measures used to create HUD's rating system are directly correlated to the delivery of these resources to their intended beneficiaries. This includes information provided to intended beneficiaries, compliance with program requirements, commitment of funds, completion of projects and other goals that demonstrate that the funds are helping individuals. The desire to improve the Department's ability to deliver services to the intended beneficiaries is why TDHCA is striving to improve its ranking.

The Task Force's purpose is to utilize a knowledgeable, experienced and creative group of individuals to provide the Executive Director of TDHCA with a critical evaluation of, and options for constructive changes to, the State of Texas HOME Program.

The goals for the Task Force included:

- 3 Identify internal and external processes and issues related to the HOME Program that may require attention to ensure maximum program efficiency.
- 3 Research and identify possible options for improvements for the HOME Program including identification of implications including potential operational, program administration and public policy impacts within state and federal requirements.
- 3 Advise the Executive Director of TDHCA regarding the results of this effort.

The Task Force was designed to occur in two phases. The first phase was initially comprised of a committee of Department staff with cross-divisional experience with the HOME Program. That group identified a list of issues that they believe are the most critical for improving program administration and performance. They considered recurring issues raised by the users of the program, public comment and their daily knowledge of program operation when developing the list of issues. The group also

chose its topics selectively to ensure that the efforts of the Task Force could be focused to the most salient and far-reaching issues. Their mission was to concisely summarize these key issues while not yet making specific recommendations for change.

The second phase of the Task Force is comprised of a diverse group of external stakeholders that include consultants, program administrators, local officials and advocates. The group membership reflects representation from all HOME activity types, rural and urban areas, and nonprofit and for-profit entities. It is now the task of the external Task Force to identify approaches to provide services most needed by Texans, improve program administration and performance, and outline the pros and cons of each of the options recommended by the Task Force. The product of the Task Force will be this report in final form which will advise the Executive Director with a variety of viewpoints on future options for developing a stronger HOME Program.

A Note on the Organization of the Report

The following report is organized by Issue, each with an overview of the background, salient factors for consideration, current research and related HOME Program policies.

Included for each Issue is an Options Discussion section. Options are numbered sequentially throughout the entire document to facilitate reference of options.

List of Members of the HOME Program Advisory Task Force

| First Name | Last Name | Organization |
|-------------------|------------------|---|
| Al | Swan | Affordable Housing of Parker County |
| Ann | Chappell | Habitat for Humanity of North Texas |
| Ann | Denton | Advocates for Human Potential, Inc. |
| Annette | Gutierrez | Rio Grande Council of Governments |
| Brooke | Boston | Texas Dept of Housing & Community Affairs |
| Bruce | Spitzengel | GrantWorks, Inc |
| Bud | Love | Bud Love Consulting |
| Camile | Pahwa | Diana McIver & Associates, Inc. |
| Charles | Lucas | Lucas Consulting, Inc. |
| Cloy | Richards | City of West Tawakoni |
| Cynthia | Bast | Locke Liddell & Sapp LLP |
| D'Ann | Johnson | Texas CBAR |
| David | Ojeda | Community Services of South Texas |
| Dennis | Hoover | Hamilton Valley Management, Inc. |
| Don | Currie | CDC Brownsville |
| Donna | Chatham | Association of Rural Communities in Texas |
| Doug | Dowler | Pineywoods Home Team |
| Frances Leos | Martinez | Texas CBAR |
| Fred | Cantu | Office of the Honorable Juan Manuel Escobar |
| Fred | Huerta | Housing Plus |
| Gary | Driggers | |
| George | Fite | City of Hughes Springs |
| Jake | Brisbin | Rio Grande Council of Governments |
| James | Waddill | BeLaire Construction |
| Jean | Langendorf | United Cerebral Palsy of Texas |
| Jennifer | Daughtery | Foundation Communities |
| Jerry C. | Agan | Presidio County |
| Jim | Fieser | Fieser Development, Inc. |
| John | Henneberger | TLIHIS |
| Juan | Vargas | Webb County Self-Help Center |
| Judy | Langford | Langford Community Management Services |
| Judy | Telge | Coastal Bend Center for Independent Living |
| Karen | Swenson | Greater East Texas Community Action Program |
| Ken | Martin | Texas Homeless Network |
| Lucy | Trevino | Texas Dept of Housing & Community Affairs |
| Manuel | Lara | City of Mathis |
| Marc | Gold | Department of Aging & Disability Services |
| Mark | Mayfield | Texas Housing Foundation |
| Mark | Taylor | Gary Traylor & Associates |
| Mary Kay | Thomas | Amazing Grants |
| Matt | Hull | TACDC |

THE DISCUSSION AND OPTIONS SECTIONS OF THIS DOCUMENT DO NOT REFLECT THE VIEWS OF TDHCA OR THE TDHCA GOVERNING BOARD. THIS DOCUMENT IS A PRODUCT OF THE HOME INVESTMENT PARTNERSHIP PROGRAM ADVISORY TASK FORCE.

| | | |
|---------|--------------|--|
| Michael | Hunter | Hunter & Hunter Consultants |
| Mike | Harms | Ctr for Housing & Economic Opportunities Corp. |
| Mirenda | White-Harris | Kerbow and Associates Consulting, Inc. |
| Patrick | Barbolla | Fountainhead Companies |
| Rhoda | Gersch | Combined Community Action, Inc. |
| Robert | Chavira | SMi Consulting |
| Robin | Sisco | Langford Community Management Services |
| Sarah | Mills | Advocacy Inc |
| Steve | Ashman | Department of Aging & Disability Services |
| Steve | Kerbow | Kerbow and Associates Consulting, Inc. |
| Steven | Carriker | TACDC |
| Tres | Davis | GrantWorks, Inc |
| Truman | Dougharty | Newton County |
| Walter | Moreau | Foundation Communities |

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EXECUTIVE SUMMARY

Background

The State of Texas HOME Program (HOME Program) is administered by the Texas Department of Housing and Community Affairs (TDHCA) and receives approximately \$40 million annually in federal funding from the U.S. Department of Housing and Urban Development (HUD). In an effort to increase the efficiency of the administration of the program and improve the State's overall performance with HUD, TDHCA launched the HOME Program Advisory Task Force.

The Task Force's purpose was to utilize a knowledgeable, experienced and creative group of individuals to provide the Executive Director of TDHCA with a critical evaluation of, and options for constructive changes to the State of Texas HOME Program.

The goals for the Task Force include:

- 3 Identify internal and external processes and issues related to the HOME Program that may require attention to ensure maximum program efficiency.
- 3 Research and identify possible options for improvements for the HOME Program including identification of implications including potential operational, program administration and public policy impacts within state and federal requirements.
- 3 Advise the Executive Director of TDHCA regarding the results of this effort.

The Task Force was designed to occur in two phases. The first phase was initially comprised of a committee of Department staff with cross-divisional experience with the HOME Program. That group identified a list of issues that they believed were the most critical for improving program administration and performance. Their mission was to concisely summarize these key issues while not yet making specific recommendations for change.

The second phase of the Task Force was comprised of a diverse group of external stakeholders that include consultants, program administrators, local officials and advocates. The group membership reflects representation from all HOME activity types, rural and urban areas, and nonprofit and for-profit entities. The product of the Task Force will be this report in final form which will advise the Executive Director with a variety of viewpoints on future options for developing a stronger HOME Program.

Overview of Options

Issue 1: Improving Commitment and Expenditure Rates on HUD SNAPSHOT

As part of its oversight of its recipients, HUD generates a “report card” to inform recipients of their performance and national ranking, the HUD Snapshot. In order to improve Commitment and Expenditure Rates on the Snapshot, HOME Task Force members examined a variety of issues and offer several options that modify existing milestones in order to improve performance on the report.

Issue 2: Form of Assistance for Owner Occupied Activity – Loan vs. Grant

In previous years, TDHCA provided all HOME OCC awards in the form of a grant, but under the new HOME Rules, assistance is offered in the form of a five-year deferred forgivable or zero-percent interest rate loan, depending on the homeowner’s income. To improve the effectiveness of the OCC Program, Task Force members focused on providing options for three main areas of analysis. First, members examined the current program structure and offer alternative programs such as a Graduated Income Loan and/or Demonstration Loan Program. Second, the Task Force members analyzed processes and offer options to streamline operations and costs by allowing activities such as single appraisal. Third, members sought to minimize the burden on beneficiaries dealing with homeowner’s insurance for the entire loan period. Fourth, the Task Force examined the need to provide for additional soft costs for new activities required for the loan program.

Issue 3: Determination of Appropriate Contract Terms

As noted previously, there were several programmatic modifications to the 2006 HOME Rules. One of those changes was the reduction of the contract term for Owner Occupied (OCC) Housing Assistance contracts from 24 months to 18 months with key mandatory interim benchmarks also included. To determine more appropriate contract terms, the Task Force identified additional activities that must be accounted for in the program’s timeline and offer options to address programs more specifically by offering separate contract terms based on the activity and focus of the program, such as a longer contract term for Tenant Based Rental Assistance (TBRA) Olmstead vouchers.

Issue 4: Interim Contract Performance Benchmarks

Interim contract performance benchmarks were instituted for contracts as part of the revisions to the 2006 Owner-Occupied (OCC) HOME Rules and were already in existence for multifamily contracts. These performance benchmarks provide single family and multifamily contract administrators with a clearly defined roadmap for the contract period. As in Issue 3, the HOME Task Force members identified additional activities that must be accounted for in the program’s benchmarks and offer a range of options to include those activities, such as the procurement of professional services prior to contract award and aligning the Contract Start Date with the signature of the Executive Director on the contract. In addition to including more activities in the benchmarks, the Task Force members propose alternative benchmarks tailored to each program type.

Issue 5: Distribution of Funds Across Eligible Activities

TDHCA currently allocates funding to all federally allowable activities. While greater variety in program activities allows TDHCA to meet more types of housing demands, it can also limit the effectiveness of any one program by restricting the availability of funds. In order to present several equitable methods for distributing funds among activities, HOME Task Force members deliberated the current distribution methods and offer a variety of options that increase each program’s flexibility such as the initiation of a Reservation System, an alternative application of the Regional Allocation Formula, and other alternatives to distribute HOME funds across the various programs.

Issue 6: Utilization of CHDO Funds

Federal program guidelines require that at least 15% of HOME funds must be set aside for specific activities to be undertaken by a special type of nonprofit called a Community Housing Development Organization (CHDO). CHDOs must be certified by the Department and the funds must be allocated for housing development activities. Over the years, the use of CHDO funds has presented some challenges. In order to improve the utilization of CHDO funds, the HOME Task Force members analyzed a variety of issues surrounding CHDOs and offer an array of options such as creating a single family development program; utilizing forward commitments for large scale development; simplifying CHDO application and implementation processes; match funding with capacity; the creation of a Cross-Division CHDO Team to assist, guide, and approve for compliance potential projects; use of CHDO proceeds; and a variety of funding options that increase investment, capacity and the long-term financial health of organizations.

Issue 7: Increasing Capacity of CHDO Applicants

In Texas, state law requires that at least 95% of all HOME funds be utilized in non-Participating Jurisdictions (non-PJs), parts of the state that do not receive funds directly from HUD. One of the challenges TDHCA has faced is jointly meeting the CHDO set-aside and the state 95% requirement because often the CHDOs with the capacity to implement development activities are located in more urban areas. In order examine ways to increase the capacity of CHDO entities in Texas, the HOME Task Force provides a variety of options to address challenges such as the long-term designation & certification of organizations; organizational benchmarking for success; prioritized funding; funding for programs such as capacity building tied to benchmarks and mentoring of smaller organizations and a proposal to promote risk mitigation through “workout solutions” with Department staff.

Issue 8: Match Requirements

Federal HOME regulations generally require that each Participating Jurisdiction (PJs) provide match in an amount equal to no less than 25% of the total HOME funds drawn down for project costs. Match is a permanent contribution to affordable housing and is

not additional support from federal funds or loans. HUD provides for a distress criteria that Texas has historically satisfied and reduces match liability to 12.5%. The State of Texas does not provide the entire match necessary to meet this requirement and relies on Contract Administrators to provide match. In order to realize the necessary Match Requirements, HOME Task Force members offer a variety of options to reduce and/or tier Match based on community size and the program.

Issue 9: Modification of Assistance Amount for Homebuyer Activities

Historically, the HOME Program has provided Homebuyer Assistance (HBA) down payment and closing cost assistance to first-time homebuyers for the acquisition of affordable single family housing. Currently, eligible homebuyers may receive up to \$10,000 in the form of a 2nd or 3rd lien, 0% interest, 10-year deferred forgivable loan. Loans must be repaid at the time of resale of the property, refinance of the first lien, repayment of the first lien, or if the home ceases to be the homebuyer's principal residence. In order to facilitate the use of funds in the HBA program, Task Force members offer alternative methods for Down payment Assistance including a sliding scale based on a variety of factors such as Area Median Family Income (AMFI), percentage of household income, and percentage of maximum purchase price. In addition, members offer options to increase requirements for lenders such as fixed interest rates, restrictions on closing costs and fees, and education regarding predatory lending practices.

Issue 10: HOME vs. Bootstrap: Utilization of Funds for OCI Activities

TDHCA has begun to notice a trend, primarily in colonias, that the Bootstrap Loan Program is in competition with the HOME Program. If a community applies and is funded through both the HOME Program and the Bootstrap Loan Program, the HOME program funds are utilized first posing challenges to the Bootstrap Program. In order to increase the utilization of funds for Bootstrap activities, the Task Force is proposing a variety of options such as increasing the allowable cost of the program, extending the contract term, and using down payment assistance funds to complement the Bootstrap programs goals.

Issue 11: Multifamily Housing

In Texas, HOME funds are used for multifamily rental projects in two different ways: (1) as a single source of financing or (2) as gap financing, in conjunction with other sources. In recent years, TDHCA has seen fewer multifamily applications for single source financing; most of the applications are for gap financing, particularly with low-income housing tax credits ("LIHTC"). The Task Force reviewed a variety of issues regarding multifamily housing and identified some of the following options for consideration including the establishment of a pre-application process for HOME, opportunities to collaborate with the Housing Tax Credit cycle and Rural Development office when feasible, and additional underwriting recommendations.

Issue 1: Improving Commitment and Expenditure Rates on HUD SNAPSHOT

Background

As part of its oversight of its recipients, HUD generates a “report card” to inform recipients of their performance and national ranking. These HOME Program Performance “SNAPSHOTS” are quarterly cumulative performance reports, which are instrumental in tracking the progress of the HOME Program and in staying informed of activities undertaken with HOME funds. The performance SNAPSHOT is an important tool in helping to evaluate program performance by providing a context for accomplishments. In addition to the Overall Ranking, the following categories are also ranked on the SNAPSHOT:

Program Progress

% of Funds Committed

% of Funds Disbursed

Leveraging Ratio for Rental Activities

% of Completed Rental Disbursements to All Rental Commitments

% of Completed CHDO Disbursements to All CHDO Reservations

Low-Income Benefit:

% of 0-50% AMI Renters to All Renters

% of 0-30% AMI Renters to All Renters

Lease-up:

% of occupied Rental Units to All Completed Rental Units

It is the ranking in this document that determines TDHCA’s national ranking among other states. At this time TDHCA is currently ranked 33rd out of the 51 state Participating Jurisdictions (PJs). The SNAPSHOTS for Texas for the years 2003-2006 are included as Appendix

Considerations

Several factors should be kept in mind when reviewing the SNAPSHOT information:

- 3 Numbers alone do not provide a total picture of a PJs performance in this program.
- 3 The SNAPSHOT is not intended to be the final word on the success or quality of a local or State HOME Program, but serves as an overall barometer.
- 3 The SNAPSHOT does not capture the size or complexity of development projects undertaken by PJs, and no additional credit is given to states that undertake more difficult projects.

- 3 The SNAPSHOT does not capture whether a PJ is out of compliance with HOME Program requirements as identified through independent audits or HUD monitoring visits.

Of particular relevance to Texas, the SNAPSHOT does not consider the amount of the annual funding allocation received by each PJ. In 2006, Texas received the second largest state allocation (approximately \$40.6 million), second only after California (approximately \$55.6 million). The State of New York is the third highest with an allocation of approximately \$35.5 million. Ohio is fourth largest with \$27.6 million, and Pennsylvania is fifth largest with an allocation of \$26 million. In total only 9 state PJs receive allocations greater than \$20 million. The remaining 42 states receive less than \$20 million each. Twenty three states actually receive less than \$10 million.

All of the states with the larger allocations tend to have lower rankings on the SNAPSHOT. Among the states that have the ten highest allocations, the highest ranking was only 30th (Illinois with an allocation of \$22.4 million). States with smaller allocations tend to have the higher rankings, such as Vermont, which is ranked 1st and receives \$3.5 million. The top three ranked states each received only \$4.3 million or less.

When Texas is compared on its overall ranking to the five other states that received the highest funding allocations, Texas ranks highest at (33), higher than California (38), New York (44), Ohio (46) and Pennsylvania (48). When Texas is compared only among the 10 states receiving the greatest amount of funding, Texas ranks 2nd, ranking higher than California and 7 other states that receive significantly less funding.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

The Task Force as a group had fairly limited discussion on this issue. The Options below reflect the discussions sufficiently.

The Task Force noted that Options pursued in other portions of this report may positively impact the SNAPSHOT for the State of Texas. Instances where this might occur include:

- 3 **Benchmarks:** Adopting the proposed benchmarks will allow administrators to remain in compliance, provide additional milestones and guidance, and expend the funds awarded. Reallocating the funds only slows expenditure rates.

- 3 Contract Terms: Adopting the proposed contract terms will allow enough time for administrators to fully expend their awards and reduce the need for contract extensions. Not having to reallocate unexpended funds will improve the expenditure rate.

Options

1. Pursue Adjustment to Evaluation Method with HUD

As noted in the Considerations section, HUD compares all states equally and does not make adjustments or give consideration for large states. The Task Force recommends that TDHCA continue to work with other large states in requesting that HUD update their evaluation tool to better reflect variations in types of PJs (particularly large PJs).

Pros:

- 3 Allows Texas to continue to operate its programs based on public input and community needs and not be driven by a “surface” measurement from HUD that may have little impact and/or may drive the use of affordable housing funds to areas where it is less needed but where funds can be more readily expended.

Cons:

- 3 Does not make an improvement in the SNAPSHOT rankings.

It should be noted that the Task Force did not feel that targeted improvement on the SNAPSHOT as an independent goal should be a high priority for the Board, but rather implementation of many of the other Options presented, would ultimately result in SNAPSHOT improvement. Therefore, no additional Options were specifically identified.

Issue 2: Form of Assistance for Owner Occupied Activity – Loan vs. Grant

Background

As noted earlier, new HOME Program Rules were adopted by the Board in February 2006. Since that time, TDHCA has continued to receive comment from HOME Program participants on issues related to the rule changes. Among the programmatic modifications, the 2006 HOME Rules changed the form of assistance for the Owner-Occupied Housing Assistance (OCC) activity from a grant to a zero-percent interest deferred, forgivable loan or a deferred, repayable loan. The new rules were implemented with the 2006 – 2007 HOME Contracts.

Considerations

In previous years, TDHCA provided all HOME OCC awards in the form of a grant. Under the new HOME Rules assistance is offered in the form of a five-year deferred forgivable or zero-percent interest rate loan for a 30 year term, depending on the homeowner's income.

For very low income families earning no more than 50 percent of the area median family income (AMFI), the assistance is in the form of a five-year deferred forgivable loan. Any qualifying family that stays in the home for five years will have the full loan amount extinguished without funds ever requiring repayment. For each year the qualifying family stays in the home, a pro-rata share is reduced annually until the entire loan is extinguished. However, if the family does not occupy the home for the full five-year period, a pro-rata share of the original loan amount must be repaid so that it can be "recycled" into loans serving *additional* very low-income Texans. For families earning from 51 percent to 80 percent AMFI, assistance will be offered in the form of a 30-year, zero-percent interest loan. This would require repayment of the loan at sale, refinance, or at the end of the loan period.

This change achieves three policy objectives. First, it effectively puts in place a minimum affordability period, ensuring that for a set time period, a qualified low income family will benefit from the limited HOME Program funds available. When assistance was provided in the form a grant, it was possible for a program beneficiary to transfer a home that had been improved or reconstructed through the HOME Program to someone who was not low income, undermining the program goals and objectives. Providing the assistance in the form of a loan gives TDHCA a mechanism to ensure that funds are used as intended: to provide safe, decent affordable housing to *low income* families.

The second objective is to maintain funding availability for this activity and thereby serve more families. Every year, demand for HOME OCC funding far exceeds funds available.

In 2005, TDHCA received a total of \$62 million in requests for HOME OCC funding but had only \$22 million available. By providing assistance in the form of loans to those with incomes between 51% and 80% of AMFI, TDHCA will create a continuing source of funds to assist future families.

The third policy goal is to meet the statutory directives that promote the use of TDHCA's limited funds to assist those people most in need. As was demonstrated in the first round of applications in 2006, the deferred forgivable loans encourages administrators to find qualified persons at or below 50% of AMFI.

Concerns have been raised regarding the impact of this change on families served, and TDHCA takes these concerns seriously. Significant public testimony and letters were received opposing the change from a grant to a loan format. Responses urged TDHCA to consider that many OCC beneficiaries are elderly and/or people with disabilities who live on a fixed income. Concern was expressed about these recipients' willingness to undertake a lien on what, in many instances, is their sole asset.

However, it is likely that the vast majority of OCC beneficiaries will not have to make loan payments. Of the 534 families expected to benefit from HOME OCC awards made in 2005, only 32 – or six percent – earn more than 50 percent AMFI. The new rules have increased this trend: as stated above all applications for OCC received by TDHCA in 2006 have indicated that they will serve only families earning up to 50 percent AMFI. As previously stated, this income group will only be required to repay their outstanding loan amount if they do not remain in their home for five years. In serving this population, TDHCA meets state statutory requirements to target housing assistance to extremely low and very low income households.

The impact of this new policy for families earning above 50 percent AMFI should be minimal. The maximum loan amount possible under HOME OCC would be \$60,000. (This is equal to the maximum per household assistance allowed under OCC.) However, in most if not all cases, the actual loan amount will be less than this because of the manner in which the loan amount will be determined.

Ultimately, under these rules, homeowner equity is protected, the home is worth more, and the homeowner owes less than at the start of the rehabilitation. The homeowner has clear title to their property and will be living in a safer, more energy efficient home. TDHCA's Board ensured that the rule changes continued to protect the low income homeowner.

Questions have also been posed regarding the disposition of the property if the homeowner were to pass away during the loan period. Ownership passes to the legal heirs. The heirs are not required to sell the home at the time of the transfer of ownership. However the remaining loan balance is calculated and a lien for that amount attaches to the property. If the property is sold, the loan balance is paid to TDHCA from the sale proceeds.

In response to comment that the new requirements will be more challenging to implement for subrecipients, TDHCA has implemented a comprehensive technical assistance delivery program for contract administrators for the life of their HOME contracts.

During the public comment period on the rule, some noted that changing the form of HOME OCC assistance from a grant to a loan will require contractors to undertake additional administrative activities. However, these costs will be defrayed through funds available for program overhead. This change does not decrease funds available for direct services to program beneficiaries. On average, research has indicated the cost associated with attaching a lien under the HOME OCC program to be approximately \$2,500 per household. The HOME Program considers such expenditures to be “soft costs” and allows awardees to apply up to 12 percent of their per unit expenditure on such costs. The remaining 88 percent can only be used for “hard costs,” i.e., direct services such as the actual repair or reconstruction of a home. Funds available for hard costs are not affected by this change.

For a unit receiving the maximum \$60,000 of assistance, \$6,429 would be available for “soft costs” while \$53,571 would be available for “hard costs.” In addition to funds available for “soft costs,” local administrators are provided an amount equal to four percent of their award for overall administrative costs. For instance, an awardee receiving the maximum \$275,000 in project funds would receive an additional \$11,000 in administrative funds.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

For over ten years, the Texas Department of Housing and Community Affairs (TDHCA) has administered the HOME Owner Occupied Housing Program (OCC) utilizing grants as the form of assistance serving the low-income persons of Texas. The implications of these new rule changes are far reaching and require intricate steps and documentation in order to comply. Many of the issues and paperwork regarding the loan procedures are still in the development process, even though five months have already elapsed in the 2006 contract period. This situation is elongating the process and extending into the time frame – a time frame that within the new rules was shortened from 24 months to 18 months – for completion of contractual obligations.

The requirements for the deferred loans are complicated for the OCC Rehab Activity. The Department’s staff has been working diligently to develop the loan process; however the Task Force members feel that limited definitive information has been disbursed to the Contract Administrators and to their management firms. In the Task Force’s opinion, the insufficient information provided makes it clear that a great deal of additional effort and increased costs will be required to implement the loan process. It is

the consensus of the Task Force that there could be more efficient ways of obtaining program income as presented in analysis later in this chapter.

While the need for program income is recognized, currently, the cost of administering the program is projected to outweigh the program income. As mentioned previously, one challenge has been that the procedures for administering the forgivable loan process have not been fully developed. Also, the initiation of this “across the board” loan program has discouraged many low-income homeowners from applying for HOME funds and makes it difficult to get households to participate in the program. There were additional considerations identified through the Task Force meetings regarding the changes in the HOME program. Ultimately, there may be better ways of accomplishing the forgivable loan program than are being developed at this time, which could be fully vetted through a Demonstration Project, for example.

Some other challenges, such as the requirement for two appraisals, necessitate the coordination of these services and unnecessary costs for activities that can be completed in a single service agreement. While these additional services are eligible program “soft costs”, no additional funds have been allocated to pay for the appraisal work or the acquisition and coordination of these services. Finally, there are challenges with the use of title companies to close the loans and the use of a large number of documents for the closings. While these services are eligible program “soft costs”, again, no additional funds have been allocated to pay for the Owners Title Policy or the acquisition and coordination of these services.

In addition to these considerations, there were four larger issues discussed by Task Force members including new challenges with Flood & Homeowner’s Insurance, Increased Administration Costs, Unclear Titles and Milestones. All of these will be addressed more in-depth in the remainder of this chapter.

Flood and Homeowner’s Insurance

The requirement for flood and homeowners insurance for the five year loan period is a federal requirement specific only to the period of affordability. Previously as a grant program there was neither an affordability period requirement for this activity nor an insurance requirement. The creation of a five-year loan program triggers a five-year affordability period, and therefore a need for both flood and homeowner’s Insurance. Unfortunately, the OCC program is not allowed to pay for insurance for the remaining four years of the loan; it is only an eligible “soft cost” for the first year of the affordability period.

Considering that many of the beneficiaries of the OCC Program qualify with Rider 5 incomes¹ and often have incomes well below these limits (most earn less than \$12,000

¹ Definition of “Rider 5” – A statutory requirement recently updated during the 80th session that dictates “no less than 20% of the housing finance division’s total housing funds shall be spent for individuals and

annually), the burden of mandatory flood and homeowners Insurance is an impractical burden.

The Department needs to consider liability issues with requiring flood and homeowners insurance during the remaining 4 years of the loan period and the consequences of not enforcing the requirement. If a home is destroyed or damaged under circumstances eligible for assistance from a Homeowners Insurance policy and the owner did not maintain such a policy as required by the Department, then the Task Force believes the Department may incur liability for not enforcing its policies.

As with appraisals, while these services are eligible program “soft costs”, no additional funds have been allocated to pay for the first year of the Homeowners Insurance or the acquisition and coordination of these services for the family.

Increased Administration Costs

As previously mentioned, there are significant costs for the coordination of the loan program. These costs are additional to those established by the Departments “soft cost” guidelines and cost caps that were approved by HUD—and were themselves unadjusted for inflation or other cost increases prior to 2007.

The amount available to pay “soft costs” was slightly increased when TDHCA approved an additional \$5,000 per housing unit assistance to make the total assistance cap \$60,000. Since the soft cost cap is calculated as a percentage of total hard costs, the amount available to pay “soft costs” also increased by approximately \$535 per unit.

The additional costs for new third-party services necessary under the loan program including two appraisals, owner’s title policy, property survey, and homeowners insurance is estimated to be approximately \$2,500 per unit. This estimate does not include the cost of acquiring and coordinating these added services to be incurred by Contract Administrators and management firms. Even with the added “soft costs” from the \$5,000 cap increase, there is an estimated \$2,000 for out-of-pocket, added expenses. Additionally, costs for the initial appraisal, property survey, and title search add an estimated \$1,000 to be incurred prior to the loan closing. These costs are not reimbursable as “soft costs.”

The loan closing also presents some financial risk, since approximately 80%+ of the program beneficiaries are elderly and/or people with disabilities, due to the Rider 5 income limits, the involvement of immediate family members is typical and significant. The families of prospective beneficiaries often participate in the application process to assist and protect the interest of their parents or grandparents. The “full” closing requirements includes numerous closing documents (an estimated 30 forms are

families earning between 31% and 60% of median family income”, and provides additional parameters for assisting low-income families in Texas.

required to be executed) to be reviewed and hopefully executed by the beneficiary of the assistance.

The increased complexity of this transaction makes it a potential deal breaker—homeowners enter into a loan agreement with its numerous forms that can create distrust and misunderstandings. Prospective beneficiaries may “walk away” during the process, placing a financial strain on the Contract Administrators and their grant managers who are not reimbursed for these costs. This is a relatively common occurrence even under a grant program because it often involves a family’s sole asset. The greater the concern of a prospective beneficiary the more likely they are to “walk-away” after pre-loan costs has been incurred by the Contract Administrators.

Unclear Titles

There is an additional unintended consequence to this loan process— the creating of unclear titles due to non-sale of a home in the event of the homeowner’s death or relocation due to health problems. As a higher percentage of the assisted units benefit elderly households, there is a higher than normal probability that the homeowner will pass away or need to relocate to a family member’s home or to a nursing home due to health problems during the five-year loan period. While the Department may develop systems to verify that owners are continuing to inhabit the assisted housing unit, beneficiaries could devise means to circumvent the rules in order not to be burdened with paying the remaining unforgiven balance.

This is significant because family members of Rider 5 qualified homeowners are also often low-income and lack the financial capacity to cover these costs themselves. The risks include foreclosure and auction of these properties and their potential removal from the Owner Occupied housing stock. It could also result in evictions and potentially homelessness if the unit is occupied by people with disabilities or elderly family members, minor children, or others who survive the homeowner of record. This self-preservation response will inevitably result in titles becoming unclear or clouded. The loan program will foster unwanted behavior from negatively impacted family members unable to deal with the impacts of the loan program.

Milestones

Currently, the existing milestones are not attainable under the loan program due to the significantly increased complexities and demands upon Contract Administrators and the Department.

The clock is ticking on the eighteen month contract period that started on November 1, 2006. At this time, many Contract Administrators still do not have fully executed State contracts and approved Policies and Procedures. [The Department staff note that as of the finalization of this report all 2006 Administrators do have fully executed contracts.] The application process has started while the loan procedures remain in doubt. As

applicants ask questions about their obligations under the loan program, there is little guidance on the details by the Department. The Implementation Workshop conducted on November 2nd and 3rd, 2006, left many (still) unanswered questions.

It is the consensus of the Loans vs. Grants Subcommittee and many other Task Force members that Department staff has been overwhelmed by the challenges of developing procedures for the loan program initiative. The Department HOME Program expenditure rate shall be significantly reduced due to the inability of Contract Administrators to implement the program in a timely manner.

In order to assist the Department in meeting its goal of increasing the expenditure rate and facilitating the transition of the HOME OCC program to one that creates/recycles program income, the Task Force would like to offer the following options for consideration.

Cost-Benefit Analysis

A Cost Benefit Analysis was conducted in February/March of 2007 through a joint effort of concerned HOME management consulting firms who are members of the Task Force. The purpose of the analysis was to quantify the assumption that the forgivable loan program would be cost effective. The full analysis is provided in the HOME Program Advisory Task Force Data Compendium, which is available upon request from the Department.

The estimated added costs of the loan program are \$2,862 to Contractor Administrators (cities, counties and nonprofits) for acquiring before and after appraisals, a boundary survey, a before and after benchmark elevation survey (if in floodplain), a title search, title insurance, closing costs including recording fees, homeowner's insurance, flood insurance (as appropriate). Further, Department staff time is also increased.

The analysis used the 550 units assisted in 2005 as a benchmark. The estimated cost of the forgivable loan program for program year 2006 would be \$1,574,100 (550 x \$2,862).

The Department requirement for homeowner's property insurance for the additional four years of coverage at an average of \$547/year equals \$2,188 for each unit. For 550 units, an additional cost of \$1,203,400 would be added to the low income homeowner's cumulatively for the program year 2006.

Housing Data: A list was furnished from the Department of 410 homeowners assisted from Program Year 2001 funds. These units were completed from 3 to 5 years ago; 25% of the homeowners were randomly selected to be surveyed. The results showed 92 units with original homeowners or show their ownership still on the tax rolls; 5 units – data not available; 4 units are no longer owned by the original owners; and, 4 units show that the homeowners are deceased.

Assuming that one of the five “data unavailable” units is no longer owned by the original homeowners, only 5 of 92 units could potentially return funds to the program. Assuming an average pre-loan equity of \$20,000 a unit prior to reconstruction, the loan amount would have been a maximum of \$35,000 per unit (\$55,000 - \$20,000). All of the units with a transfer of ownership surveyed were at least 2 years into the forgivable loan period, reducing the loan by an additional 40% or \$14,000, giving an average repayment amount of \$21,000 per unit. This results in an estimated program income of only \$105,000 (5 units X \$21,000) for the sample.

Since the survey was based on 105 homes, the \$105,000 should be multiplied by 4 to represent the 410 units assisted in Program Year 2001. It is estimated that no more than a total of \$420,000 in funds would be able to be recaptured by the Department.

This Cost Benefit Analysis estimates that the costs to implement the forgivable loan program would exceed the program income by \$1,154,000.

| | | |
|---------------------------------------|-----------------------|---------------|
| Closing Costs without flood Insurance | (\$2,622 x 550 units) | (\$1,442,100) |
| Department Prepared Closing Documents | (\$240 x 550 units) | (\$ 132,000) |
| | Subtotal | (\$1,574,100) |
| Estimated Program Income | Subtotal | \$ 420,000 |
| Net Program Income | Subtotal | (\$1,154,100) |

Additional costs incurred by very low and moderate income households to be assisted due to Homeowners Insurance for the four remaining years will be \$1,203,400.

| | | |
|---------------------------------------|-------------------------|-------------|
| Beneficiary Paid Homeowners Insurance | (\$547 x 4 x 550 units) | \$1,203,400 |
|---------------------------------------|-------------------------|-------------|

Conclusion: The Cost Benefit Analysis performed by the Task Force shows that the Forgivable Loan Program will not be cost effective and only burden very low income homeowners.

Options

2. Graduated Income Loans

In order to meet the Rider 5 requirements a proportionate amount of funds would have to be designated for this income level, therefore the Department could create a graduated loan program where anticipated program income will exceed administrative cost. This can be accomplished through a graduated income loan program.

- a. 30% or less or Rider 5 Income — Return to Grants
- b. 31% - 50% Income — Continue 5-year deferred forgivable loan
- c. 50% - 80% Income — An amortized direct loan, requiring monthly payments of principal and interest. Interest rate of two percent (2%) per annum. Allow assumption of loan by new owner.

Pros:

- 3 Will renew interest by very-low income homeowners in applying for the HOME program. By having the grants only for those at Rider 5 or lower, applicants will be motivated to serve those families first.
- 3 Going back to grants at some level would eliminate many of the recently required soft cost items associated with administering the program to 30% and below and Rider 5 homeowners.
- 3 TDHCA would not have to expend staff resources administering loans.
- 3 Needy homeowner at the 50-80% income levels would have a greater opportunity of accessing OCC funds available through TDHCA.
- 3 A positive program income would be generated for TDHCA.

Cons:

- 3 If implemented for the 2006 program it would require an amendment to the current contracts.
- 3 There would be no possibility of program income being generated from the portion of funds designated for grants.
- 3 Percentage of funds provided to very low-income homeowners would be reduced.
- 3 TDHCA would have the expense of servicing the loans.
- 3 There would be no assurance of an affordability period on the grants.

3. Demonstration Loan Program

The Demonstration Projects concept will allow the optimal development of the forgivable loan program on a manageable scale that can then be transferred to the larger population of contracts for implementation in a later program year. The Department could sponsor a statewide application round for three large projects (\$900,000 per project with 15 units at \$60,000 per unit assisted). Award one large project in each of three different regions of the State. The larger projects will make the process more attractive to the Contract Administrators (CA's). As part of the demonstration projects, the scoring criteria will include points for presentation of the fastest most cost efficient manner in which to administer and close the projects. Allow the CA's latitude to work with staff to fully develop the processes throughout the contract period.

Pros:

- 3 Will improve the current expenditure ratio for the majority of contracts by eliminating the time-consuming loan process for the 2006 and 2007 contracts.
- 3 Allows the process to be completely worked out for the forgivable loan process in a demonstration setting rather than subjecting the entire 2006 and 2007 contract population to untested, hastily developed procedures.

Cons:

- 3 May initially take longer to provide benefit, but this situation will be for a few units as opposed to the many.
- 3 Will not implement Board's desire for forgivable loans in the immediate future but rather in a matter of two to four years.

4. Revise Appraisal Requirements

Allow the appraiser to complete an appraisal of the property to establish the current value of the land and improvements, and then provide an as-built appraisal of the projected value based upon the construction plans and specifications and construction contract amount.

This is an accepted method for completing this task as currently used for multi-family HOME projects. Allow for the cost of the appraisal work to be paid as "soft costs" above the current 12% of construction "hard costs". This requirement was based on public comment to safeguard homeowner's equity through a reduction to the loan amount. Simplifying the appraisal process by combining the 'before' and 'after' values into a single appraisal service will not reduce the desired benefits to assisted homeowners. This change would reduce the costs for multiple appraisal by reducing the need for a second trip to the site by the appraiser, reduce the amount of time needed to coordinate and complete a second appraisal, and will reduce the time to determine the final loan amount (loan less appraisal adjustments) to fully complete or close the project.

Pros:

- 3 Increases the efficiency of completing these tasks as well as reduce costs.
- 3 Requiring two separate appraisals is an unnecessary financial burden on the OCC Program.

- 3 Allows greater efficiency to complete the project in fewer steps and in less time.

Cons:

- 3 Would require a program policy issuance revision.
- 3 Requires changes to the method that appraisals will be completed.

5. Provide for Unfunded Additional Soft Costs

The loan program increases the number of activities (appraisals, owners title policy, property survey, and homeowners insurance, as well as flood insurance if needed) expensed out of soft costs for implementation. Board members questions regarding the eligibility of costs for the additional services have been answered correctly by Department staff in the affirmative but there was no clarification as to the impact of these additional activity costs. Currently soft costs are limited to 12% of the total hard costs.

Soft costs are typically contracted to consulting management firms to essentially “turn-key” the implementation of the OCC Program. This is very similar to the Housing Tax Credit (HTC) Program utilizing Developer Fees for the needed management services for implementation. Another similarity is that if a program is not implemented, there are no fees reimbursed and any costs incurred in attempting to implement the program are non-reimbursable. For the HOME OCC Program costs are absorbed with no chance of reimbursement when insufficient qualified homeowners cannot be determined eligible for assistance. In other cases, significant costs are incurred for large numbers of applicants when only a maximum of five (5) applicants can be assisted. Soft cost fees are only paid for services where assistance is awarded and fully implemented for each individual household assisted.

In comparison with the HTC Program, if these costs were transferred to Developer’s fees with the resulting reduction of fees, there would be justifiable complaints filed with Department by HTC developers.

One alternative is to modify the soft cost cap by allowing the cap to be exceeded for specific loan program activities. The current soft costs limit of 12% of hard construction costs would be increased by the actual out of pocket costs for the new loan program activities including appraisals, owners title policy, property survey, and homeowners insurance, as well as flood insurance (if needed).

A second alternative is to increase the cap for total amount of assistance from the recently adjusted amount of \$60,000 to \$62,500. The additional \$2,500 would be reserved for out-of-pocket expenses for the added third-party services required under the loan program. The increase in “soft costs” of \$535 resulting from the recent

increase in the total expenditure cap would be adequate to reimburse for the added service delivery costs incurred by Contract Administrators.

Pros:

- 3 Providing additional funding for increased soft costs addresses unfunded increased costs for the forgivable loan program.
- 3 Contract Administrators who are often small rural communities will not be burdened with additional costs associated with the 2006 awards.
- 3 The very limited trained and experienced consulting management firms for the OCC Program will not be forced to cease operations due to inadequate funding for their services.
- 3 Contract Administrators will not be forced to deobligate funding due to the additional costs for added services needed for the forgivable loan program.
- 3 The loan program significantly increases the cost of implementation through out-of-pocket expenses and additional management services to acquire and coordinate the new required services.

Cons:

- 3 Will require Board action to authorize additional costs and resulting program policy amendments.

6. Not Requiring Four Additional Years of Homeowner's Insurance

While the first year of insurance can be paid with "soft costs", these additional costs have not been budgeted for and are not required by federal regulations or rules. The remaining four years of insurance costs are prohibitive to the Rider 5 beneficiaries whose severely limited incomes (most earn less than \$12,000 annually) will force a choice between insurance coverage and food, utilities, medical and other basic necessities. Revised Department data on the OCC Program accurately shows that approximately 68% of the beneficiaries are elderly households. It is estimated that an additional 13% are disabled households assisted that are not duplicated in the elderly percentage.

While it may be considered good public policy to require homeowner's insurance to protect the beneficiary's greatest asset, it is neither reasonable nor practical. Considering that the OCC Program is an affordable housing program assisting households with severely limited incomes, the standards of private lenders in the mortgage industry cannot be reasonably applied.

Pros:

- 3 Requiring beneficiaries to maintain homeowners insurance during the five-year loan period creates an impossible financial hardship to Rider 5 eligible beneficiaries.

Cons:

- 3 Requiring households to maintain an additional four years of homeowner's insurance protects both the beneficiary's and Department interests.
- 3 Department may have concerns that their lien is not protected during the affordability period.
- 3 Requiring homeowner's insurance is good public policy.

Issue 3: Determination of Appropriate Contract Terms

Background

As noted in Issue 2, there were several programmatic modifications to the 2006 HOME Rules. Another one of those changes was the reduction of the contract term for Owner Occupied (OCC) Housing Assistance contracts from 24 months to 18 months with key mandatory interim benchmarks also included. TDHCA took this step in an effort to obligate and expend funds more quickly, and prompt more expeditious contract execution by subrecipients. Contract terms for other activities are identified in TDHCA's rules.

Considerations

The previous rule provided for 24-month HOME contracts. In many instances, contractors would report no activity to TDHCA until late into the contract and then request a contract extension. This practice delayed or denied services to the intended low-income beneficiaries and resulted in a low HOME expenditure rate for the state. The state's low expenditure rate has drawn the attention of HUD and places this important funding at risk. TDHCA implemented this rule change to encourage administrators to utilize HOME funds more timely and effectively and to address federal concerns regarding the HOME Program's expenditure rate.

TDHCA believes that the interim benchmarks and shortened contract period will encourage more expeditious delivery of services and expenditure of funds. The reduced contract term will also allow TDHCA to reallocate resources more quickly in cases of nonperformance, again ensuring that funds are being used to help low income Texans instead of sitting unutilized.

The contract term change for the OCC activity was implemented in concert with another change relating to the maximum total award amount for this activity; these two items are closely linked and the maximum award amount change must be taken into consideration when evaluating the contract term change. TDHCA, during its rule changes, reduced the maximum contract award amount for this activity for a subrecipient from \$500,000 to \$300,000 (a recent Board approved change from original of \$275,000). Based on TDHCA's standard that the maximum OCC assistance per household is \$60,000 (a recent Board approved change from original of \$55,000), this reduction meant that the number of households to be assisted was reduced from approximately 9 households to 5 households for any given contract.

The primary policy goal achieved by lowering the maximum HOME Single Family assistance award from \$500,000 to \$300,000 is to allow more communities than ever before an opportunity to secure an award, thereby increasing the dispersion of HOME

funds throughout the state. The lower maximum amount also eases the match burden on local communities – again increasing access to the program for the smallest of communities. In addition, TDHCA has experienced high levels of contract extension requests from awardees that are not able to complete nine units in the two-year contract period. Reducing individual awards is expected to enhance communities' ability to complete five units in the contract timeframe and thus deliver needed housing to low income families on a timelier basis.

By reducing the number of households being served, the amount of time necessary for completing the contract is commensurately reduced. The new 18-month contract period is consistent with the lower number of households being assisted by each administrator.

TDHCA believes that 18 months provides sufficient time to undertake contracted activities. However, public comment gathered for the proposed HOME Rules indicated that due to the many requirements of the program, administrators felt it was already difficult for contracts to be completed within the 24-month period. Respondents were concerned the 18-month period would be difficult and would force numerous contract administrators to request a 6-month extension through the amendment process.

TDHCA realizes that some delays in program delivery are beyond the control of the contract administrators. Because of this, as with the previous 24-month contract term policy, a time contract extension may be requested and granted on a case-by-case basis. Additional extensions raise concerns about the ability to perform and require Department approval. Further, to address subrecipient concerns relating to meeting contract deadlines, TDHCA is providing more extensive technical assistance to contract administrators, especially those with no previous experience administering a HOME Program contract.

The shortened term will encourage participants to expend the funds more quickly. It is expected that the shortened term will also allow TDHCA to more quickly identify, and therefore assist, contract administrators that are struggling to meet timelines and expend funds.

In addition to OCC Assistance, single family HOME Program activities include Homebuyer Assistance (HBA) and Tenant Based Rental Assistance (TBRA). HBA contracts have a term of 24 months, and TBRA contracts have a term of 30 months. Recent public comment suggests that the term for TBRA contracts needs reconsideration.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

The Options described below reflect the discussions sufficiently.

Options

Since the topics of “Determination of Appropriate Contract Terms” and “Interim Contract Performance Benchmarks” are closely interlinked, this chapter will lay out broader options for changing the contract term, while specific benchmarks associated with those proposed options will be delineated more clearly in the following chapter.

- 7. For Tenant Based Rental Assistance (TBRA) Vouchers, the contract term should be extended from 30 to 36 months.** (See Option 10 for corresponding benchmarks.)

Pros:

- 3 The change in contract length reflects a more realistic timeline for qualifying applicants, locating acceptable units, and providing the full 24 month term of assistance.
- 3 Fewer extensions will be needed to complete contracts, resulting in quicker expenditure of funds.

Cons:

- 3 Does not speed up expenditure to the 30 month time period, as desired by TDHCA.

- 8. For Tenant Based Rental Assistance (TBRA) Olmstead² and other TBRA Disability Vouchers, the contract term should be increased from 30 to 48 months.** (See Option 10 for corresponding benchmarks.)

Pros:

- 3 These milestones/benchmarks increase the responsiveness to the needs of people with disabilities and other “at-risk” populations and establish standards for Best Practices for the HOME TBRA program.
- 3 The proposed TBRA Olmstead milestones/benchmarks better accommodate the needs of persons exiting institutions, with the need to obtain Medicaid waiver services, as well as housing, there are many bureaucratic requirements to work through for the population.

² “Olmstead”—refers to the 1999 landmark Supreme Court decision that recognized Title II of the American with Disabilities Act (ADA), to assure the least restrictive setting for persons with disabilities of all ages. Through the decision, the States are instructed to adopt plans in conjunction with this decision. Texas’ response is the “Promoting Independence” initiative and the Department adopts policies and procedures to assist with the initiative.

- 3 The proposed plan allows for a full 24 months of assistance and transition. An increased 48 month contract term also assists with recruiting tenants, assisting them with applying and waiting for Medicaid, applying for transitional funding assistance, find housing, and live in housing for a full 24 months. A 24 month contract term will not work or allow the contractors adequate time to address all of the necessary processes.
- 3 The proposed plan allows the Department to closely monitor meaningful benchmarks and will allow TDHCA to identify problems earlier in the contract, implement technical assistance in time to make a difference on the outcome of the contract, and hold contractors more closely accountable for meeting requirements.
- 3 Increased numbers of people with disabilities and households at, or below, 30% AMFI are served.
- 3 There are fewer failed contract efforts and a related decrease in deobligated funds.
- 3 There are fewer requests for contract extensions because slow-performing contracts are identified and assisted earlier during the contract period.

Cons:

- 3 Does not speed up expenditure to the 30 month time period, as desired by TDHCA

9. Return to a 24 month Contract Period in the HOME Owner Occupied (OCC) Rehabilitation activity. (See Option 11 for corresponding benchmarks.)

Pros:

- 3 The proposed Benchmarks more accurately reflect the time needed to implement an Owner Occupied rehabilitation activity.
- 3 The proposed Benchmarks will create the need for fewer contract extensions, since challenges will be identified in the first 12 to 18 months of the contract.
- 3 There will be less deobligated money as a result of more realistic time constraints.
- 3 PY 2006 had sweeping programmatic changes. Returning to a 24 month contract gives both TDHCA and Contract Administrators the time to work out how to implement the program with these changes.

- 3 Allows time to deal with unexpected hurdles.
- 3 The additional 6 months will assure that assistance is provided in a timely manner. Deobligating funds at the end of 18 months does not get assistance out quicker to households since the funds must then be awarded to a new administrator and the clock starts all over.

Cons:

- 3 The 18 month contracts will need to be amended.
- 3 The proposed option does not directly address the Department's desire to expend funds more quickly.

Of note, the contract terms were shortened to 18 months by the Department rules have not yet been revised to reflect an 18 month benchmark period. The option of shortening the current OCC benchmarks from their current 24 months to months was discussed by the Task Force members and unanimously rejected. The reasons for not wishing to adjust the current benchmarks to reflect the reduced contract term are as follows:

- A. The benchmarks are currently set on a 24 month timeframe.
- B. Owner Occupied contracts, on the whole, cannot realistically be completed in a timeframe shorter than 24 months.
- C. Proposing a shorter timeframe for the benchmarks would contradict the unanimous decision reached by the group for strongly encouraging amended benchmarks and a contract term of 24 months for the Owner Occupied activity.

Issue 4: Interim Contract Performance Benchmarks

Background

Interim contract performance benchmarks were instituted for single family contracts as part of the revisions to the 2006 HOME Rules and were already in existence for multifamily contracts. These performance benchmarks provide single family and multifamily contract administrators with a clearly defined roadmap for the contract period. In the course of technical assistance site visits and contract monitoring, the performance requirements provide a framework for actively identifying challenges for contract administrators and enhancing TDHCA's ability to provide instruction.

The interim contract performance benchmarks for single family activities are provided below as excerpted from Texas Administrative Code.

Owner-Occupied Housing Assistance:

- 3 6 months - Contract Environmental Clearance must be complete
- 3 12 months - 50% of funds must be committed, 25% of funds drawn, and 25% of match supplied
- 3 18 months - 100% of funds must be committed, 50% of funds drawn, and 50% of matched supplied
- 3 24 months - 100% of funds must be committed, 100% of funds drawn, and 100% of matched supplied

Homebuyer Assistance Activities:

- 3 6 months - Environmental Clearance must be complete
- 3 12 months - 50% of funds must be committed, 25% of funds drawn, and 25% of match supplied
- 3 18 months - 75% of funds must be committed, 50% of funds drawn, and 50% of matched supplied
- 3 24 months - 100% of funds must be committed, 100% of funds drawn, and 100% of matched supplied

Tenant-Based Rental Assistance:

- 3 6 months - Contract Environmental Clearance must be complete
- 3 12 months - 50% of funds must be committed, 25% of funds drawn, and 25% of match supplied
- 3 18 months - 75% of funds must be committed, 50% of funds drawn, and 50% of matched supplied
- 3 24 months - 100% of funds must be committed, 75% of funds drawn, and 75% of matched supplied
- 3 30 months - 100% of funds must be committed, 100% of funds drawn, and 100% of matched supplied

For all of these benchmarks the HOME Rules allow that lower percentages, due to extenuating circumstances, may be allowed when requested with good cause and approved by the Executive Director.

Performance requirements for multifamily HOME contracts are organized around the closing of the HOME loan and the expenditure of program funds within the Department's three-year contract term. In the six months prior to closing, administrators must complete a site and neighborhood clearance, an environmental clearance and a program design. The multifamily benchmarks have not been identified as needing further analysis; they are consistently integrated as conditions of closing on the loan and have a proven track record of success.

Considerations

These interim contract performance benchmarks are expected to encourage contract administrators to expend their HOME funds more effectively while, at the same time, satisfying performance benchmarks throughout the contract period. The interim requirements should reduce contract terminations and the amount of HOME funds that are subsequently deobligated.

Public comment gathered for the proposed HOME Rules indicated that, due to the many requirements of the program, HOME award recipients expected difficulty in complying with the interim performance requirements.

TDHCA is developing a performance timeline to guide HOME Program single family administrators and track and maintain their progress across the contract period. The timeline will underscore the established performance requirements and will be an important tool for both administrators and TDHCA in maintaining the project schedule necessary for timely completion of the contract.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

Of all the programs managed by the Department, the Homebuyer Assistance (HBA) is the most reliant upon market conditions. As the HBA program is the one program that assists clients in purchasing existing housing, then the program follows the normal real estate market cycles e.g. the real estate market is stronger and more vibrant during the summer months than in deep winter. Benchmarks for the HBA program need to follow the actual process more closely, as in the Multifamily program, to ensure success.

In order for the program to be successful the Contract Administrator must recruit the active involvement of local Realtors, mortgage companies and title companies. This is often difficult because of the following reasons: 1) HBA is more paper intensive than loans without assistance and Realtors, mortgage lenders and title company personnel

receive no additional fees for processing them. 2) Real Estate transactions utilizing HBA take longer to complete than transactions without assistance. As loan officers and Realtors are traditionally paid on a commission basis, delays in getting transactions to closing results in delays in receiving commissions. 3) Transactions involving HBA generally are less expensive than those without HBA. Loan officers and Realtors being paid on a commission basis will earn less in commissions than they would on other transactions.

Because of the aforementioned reasons recruiting aggressive loan officers and Realtors is difficult and time consuming. Therefore, in a typical HBA program, progress starts slowly and momentum is gained throughout the contract term. Typically, more lenders and realtors are involved in the second summer selling season in these programs than are involved in the first summer selling season. Additionally, if the HBA award is tied to a particular lending product, the availability of that product will affect the ability of the Contract Administrator to begin the program in a timely manner. For example, if the lending product is a USDA product, the program is affected by timing of the federal budget in terms of when USDA will have funds to close loans. If the HBA award is tied to a local single family mortgage revenue bond issue, then the start of the program has to be delayed until the bonds are sold.

Additional considerations discussed during the Task Force meetings identify that currently Tenant-Based Rental Assistance (TBRA) rental assistance vouchers are issued to the elderly and people with disabilities. After two years, this assistance ends unless the issuing administrator can find additional funding from another source or receives an additional TBRA award from the Department. At the end of the two years, elderly people and people with disabilities find themselves unable to meet their rental obligations and face a serious housing hardship. Many face the possibility of being placed in a nursing home or an institution. On average, these facilities can cost the taxpayer approximately four times as much as the TBRA vouchers. Therefore, the two-year cycle and its benchmarks must be addressed for these populations

An option to decrease those circumstances that engender homelessness for members of at-risk population would be for the Department to set-up a method where those individuals who need additional assistance (past the two year limit of the program) be moved to the Department's Section 8 Assistance program. If this program is not an "entitlement" or meant to be "long-term" assistance "elderly" should be an ineligible program category. Without options to transition seniors, it is inappropriate to provide assistance, settle them into a home, and then jerk the assistance away two years later, displacing them in the community.

Options

In order to provide a more comprehensive process, the following options are presented for consideration:

10. Proposed Alternative Olmstead Milestones/Benchmarks and Contract Terms of 48 months for the HOME Investment Partnerships Program TBRA Activity

In order to balance the Tenant Based Rental Assistance (TBRA) program processes and reporting requirements of the Department, the proposed milestones have been added/changed to the TBRA program to demonstrate how increased communication with TBRA contractors (through attaining the milestones) will assist in mitigating challenges earlier in the contract period.

One important distinction in the proposed model below is a separate set of milestones for Olmstead population.

Table 4.1 Comparison of HOME and Proposed TBRA & TBRA Olmsted Milestones

| From start of contract | Current HOME Program TBRA Milestones | Proposed Olmstead TBRA Milestones | Proposed non-Olmstead TBRA Milestones |
|-------------------------------|---|---|---|
| 3 months | | 25% of prospective tenants identified; 10% of total TBRA application packets completed | 25% of prospective tenants identified; 10% of total TBRA application packets completed |
| 6 months | | 50% of prospective tenants identified; 20% of TBRA application packets completed | 60% of prospective tenants identified; 30% of TBRA application packets completed |
| 9 months | | 75% of prospective tenants identified; 40% of TBRA application packets completed | 90% of prospective tenants identified; 75% of TBRA application packets completed |

*Start of contract is after the contract execution by the TDHCA Executive Director and the required Implementation Workshop training has been provided by TDHCA.

(Table Continued on Next Page)

Table 4.1 Comparison of HOME and Proposed TBRA & TBRA Olmsted Milestones (Continued)

| From start of contract* | Current HOME Program TBRA Milestones | Proposed Olmstead TBRA Milestones | Proposed non-Olmstead TBRA Milestones |
|--------------------------------|---|--|--|
| 12 months | 50% of funds committed; 25% of funds drawn | 100% of prospective tenants identified; 60% of TBRA application packets completed; 10% of funds committed | 100% of TBRA funds committed |
| 18 months | 75% of funds committed; 50% of funds drawn | 85% of TBRA application packets completed; 30% of funds committed 10% of funds drawn | |
| 24 months | 100% of funds committed; 75% of funds drawn | 100% of TBRA application packets completed; 50% of funds committed; 30% of funds drawn | 50% of TBRA funds drawn |
| 30 months | 100% of funds committed; 100% of funds drawn | 75% of funds committed; 50% of funds drawn | |
| 36 months | | 100% of funds committed; 75% of funds drawn | 100% of TBRA funds drawn |
| 48 months | | 100% of funds committed; 100% of funds drawn | |

*Start of contract is after the contract execution by the TDHCA Executive Director and the required Implementation Workshop training has been provided by TDHCA.

The following “Pros” and “Cons” offer a preliminary assessment of the advantages and disadvantages of the proposed milestone/benchmark option:

Pros:

- 3 These milestones/benchmarks increase the responsiveness to the needs of people with disabilities and other “at-risk” populations and establish standards for Best Practices for the HOME TBRA program.
- 3 The proposed TBRA Olmstead milestones/benchmarks better accommodate the needs of persons exiting institutions, with the need to

THE DISCUSSION AND OPTIONS SECTIONS OF THIS DOCUMENT DO NOT REFLECT THE VIEWS OF TDHCA OR THE TDHCA GOVERNING BOARD. THIS DOCUMENT IS A PRODUCT OF THE HOME INVESTMENT PARTNERSHIP PROGRAM ADVISORY TASK FORCE.

obtain Medicaid waiver services, as well as housing. There are many bureaucratic requirements faced by the population.

- 3 The proposed plan allows for a full 24 months of assistance and transition. An increased 48 month contract term also assists with recruiting tenants, assisting them with applying and waiting for Medicaid, applying for transitional funding assistance, find housing, and live in housing for 24 months. A 24 month contract term will not work or allow the contractors adequate time to address all of the necessary processes.
- 3 The proposed plan allows the Department to closely monitor meaningful benchmarks and will allow TDHCA to identify problems earlier in the contract, implement technical assistance in time to make a difference on the outcome of the contract, and hold contractors more closely accountable for meeting requirements.
- 3 Increased numbers of people with disabilities and households at, or below, 30% AMFI are served.
- 3 There are fewer failed contract efforts and a related decrease in deobligated funds.
- 3 There are fewer requests for contract extensions because slow-performing contracts are identified and assisted earlier during the contract period.

Cons:

- 3 The 48 month contract term is too long from TDHCA's perspective – cutting it too close to the Department's 5-year window to expend the funds.

11. Proposed Alternative Benchmarks for the HOME Investment Partnerships Program Owner Occupied Rehabilitation Activity

As in the TBRA recommended option, the proposed changes to the Benchmarks for the Owner Occupied (OCC) Rehabilitation program in Table 4.2 below balance the program processes with reporting concerns of the Department. One notable difference is the inclusion of additional benchmarks for activities, which would directly impede achieving commitment and subsequent benchmarks if not adequately met. While it is understood that the current expenditure rate is low, deobligating funds at the end of 18 months does not get assistance out more quickly to households, since the funds must be re-awarded to a new administrator, starting the clock all over again. Again, identifying challenges earlier in the contract is the key to avoiding problems, extensions, and deobligation or losing funds.

Table 4.2 Comparison of Current HOME Program Benchmarks and Proposed Owner Occupied (OCC) Benchmarks

| | Current HOME Program Benchmarks | Proposed OCC Benchmarks |
|--------------------|--|---|
| 6 months | Contract Environmental Clearance complete | Contract Environmental Clearance complete (no change) |
| 12 months | 50% of funds must be committed; 25% of funds drawn; and 25% of match supplied | Application intake is complete |
| 18 months* | 100% of funds must be committed; 50% of funds drawn; and 50% of match supplied | Site Specific Environmental Clearance has been submitted to TDHCA |
| 20 months | No current benchmark at the 20 month point | All set-up documents have been submitted to TDHCA; committing 100% of the funds to be expended. |
| 24 months** | 100% of funds must be committed; 100% of funds drawn; and 100% of match supplied | All funds expended and all match supplied. |

*Currently the contracts end at 18 months and include a 60 day grace period to draw balance of funds

**plus the 60 day grace period to draw funds that is currently in place

12. Contract Start Date For all Activities Should be the Date the Contract is Signed by the TDHCA Executive Director

Pros:

- 3 Contract period will accurately reflect the process. Currently, there is a lag between the contract start date and the date that the contract is executed by the TDHCA Executive Director. This lag can be months, effectively reducing an 18 month contract to a 14 month (or less) contract.
- 3 This would be easier on Department staff, since start and end dates could be staggered, alleviating the crush of paper as each benchmark approaches.

Cons:

- 3 None identified.

13. Procurement for Professional Services Should be Allowed Prior to Contract Award.

Pros:

- 3 Earlier procurement would expedite implementation of program.

Cons:

- 3 None identified.

14. Proposed Alternative Benchmarks for the HOME Investment Partnerships Program Homebuyer Assistance (HBA) Activity

Due to the challenges mentioned in the background of this document, benchmarks for HBA should be at a lower percentage at the beginning of the program and steadily increase throughout the contract term with the majority of the project completions occurring during the last summer selling cycle. If the HBA award is tied to new housing construction, then additional time is required to effect the construction of the houses.

Additionally, the first benchmark in all the TDHCA administered HOME programs is Environmental Clearance--completed by the six-month mark. In HBA programs, each house is individually environmentally cleared. Since houses are added to the program throughout the term of the contract, this measure cannot be met. However, at the six month point the environmental clearance for administrative expenditures can be completed.

Finally, there is one additional item that should be mentioned in the benchmarking process and that is the official start date of the contract. In many cases, there is a gap between the official start date and when the contract is executed by all parties. The benchmark process should begin upon the date of final execution of the contract because the Contract Administrator is prohibited from expenditure of funds prior to that date.

(Table on next page)

Table 4.3 Comparison of Current HOME Program Benchmarks and Proposed Homebuyer Assistance (HBA) Benchmarks

| | Current HOME Program Benchmarks | Proposed HBA Benchmarks |
|---|--|--|
| 6 months | Environmental Clearance must be complete | Environmental Clearance for administrative activities only. |
| 12 months | 50% of funds must be committed; 25% of funds drawn; and 25% of match supplied | 30% of funds must be committed; 15% of funds drawn and 15% of match supplied |
| 18 months | 75% of funds must be committed; 50% of funds drawn; and 50% of match supplied | 60% of funds must be committed; 30% of funds drawn and 30% of match supplied |
| 20 months | No current benchmark at the 20 month point | 75% of funds must be committed; 50% of funds drawn and 50% of match supplied |
| 24 months (plus the 60 day grace period to draw funds that is currently in place) | 100% of funds must be committed; 100% of funds drawn; and 100% of match supplied | 100% of funds must be committed; 100% of funds drawn; and 100% of match supplied |

Pros:

- 3 The proposed benchmarks are realistic and will allow administrators to remain in compliance with their contracts.

Cons:

- 3 None identified.

Recommended Options if Benchmarks are not met (all activities):

- A. For the first Benchmark that has been missed by more than thirty (30) days, the Department will contact the Administrator and their consultant (if any) to arrange a Technical Assistance (TA) visit. At this visit a plan of action to get the contract back on course will be agreed to by all parties.

- B.** If a second Benchmark is missed by more than thirty (30) days and the plan of action agreed to by the Department and the Administrator has not been implemented, the Department will contact the Administrator and their consultant (if any). The Administrator will be required to provide full explanation of the reason(s), including extenuating circumstances, which have caused this second delay.
 - a. If a reasonable explanation for the delay is provided, the Administrator will continue to keep the Department informed of their progress on a monthly basis.
 - b. If no reason can be provided for the delay, the Department may de-obligate any unexpended funds, provided that construction has not begun on a home.
 - i. For homes that construction has begun, and it is reasonable to assume completion prior to contract expiration, funds for those homes will not be deobligated.
 - ii. Any projects that have had no work started may have their funds deobligated by the Department.
- C.** De-obligation of funds due to expenditure issues, will not prohibit the Administrator from participating in future HOME Program funding cycles.
- D.** Voluntary Deobligation of unexpended contract balance by the Administrator will have no adverse affect on future participation in the HOME Program.
- E.** An alternative model, based on the Housing Tax Credit model, could be created to assess more punitive consequences if milestones are not met or an extension is requested. Some of the challenges with this option include the individual nature of the projects (families and different owners for each unit assisted), which creates a level of uncertainty not present in the Housing Tax Credit (HTC) program. Finally, it is important to note, there is considerably less money in the HOME Program activity than in a small HTC project.

Issue 5: Distribution of Funds Across Eligible Activities

Background

Each year, TDHCA's governing Board approves a Consolidated Plan that reflects their goals for the programming of the HOME allocation which is approximately \$40 million. The plan identifies what eligible activities will be targeted, ensures that the annual allocation of funds meets all federal and state set-asides and provides for compliance with all state and federal regulations. Additionally, the plan ensures that the HOME Program funds are allocated in accordance with a statutory regional allocation formula, when applicable, that provides for dissemination of funds across all regions of the state and in both rural and urban/exurban areas.

TDHCA currently allocates funding to all federally allowable activities. While greater variety in program activities allows TDHCA to meet more types of housing demands, it can also limit the effectiveness of any one program by restricting the availability of funds. Further, some activities may be less cost effective or more challenging to administer. To that end, this topic of discussion will focus on how TDHCA identifies the demand of its HOME activities, what factors drive the allocation of funds, and whether TDHCA should limit the number or variety of programs that utilize HOME funds.

The following chart reflects how the 2007 annual funding plan is calculated incorporating both Federal and State set-asides:

| HUD 2007 FUNDING | | |
|---|---------------|--|
| 2007 HOME Allocation | \$ 40,746,942 | |
| Re-Allocation | \$ - | |
| 2007 ADDI Funds | \$ 673,861 | |
| Total | \$ 41,420,803 | |
| HOME FUNDS-General | \$ 40,746,942 | |
| Less 10% ADMIN | \$ 4,074,694 | \$1,629,878 = 40% Contract Administrators \$2,444,816 = 60% TDHCA |
| sub total | \$ 36,672,248 | (\$ |
| Less 15% CHDO Set-Aside | \$ 6,112,041 | Subdivision) |
| sub total | \$ 30,560,207 | |
| Less 5% CHDO Operating Expenses | \$ 305,602 | Operating Expenses |
| sub total | \$ 30,254,604 | |
| Less PWD Housing Programs | \$ 4,000,000 | SF |
| sub total | \$ 26,254,604 | |
| Less Contract for Deed Programs | \$ 2,000,000 | SF |
| sub total | \$ 24,254,604 | |
| Less Rental Preservation | \$ 2,000,000 | MF |
| sub total | \$ 22,254,604 | |
| Less Rental Development | \$ 3,000,000 | MF |
| sub total | \$ 19,254,604 | |
| Plus 07 ADDI funds | \$ 673,861 | SF |
| sub total | \$ 19,928,465 | SF funds subject to RAF |
| According to 2007 One Year Action Plan: | | |
| HBA = 10% of allocation | \$ 1,992,847 | |
| OCC = 75% of allocation | \$ 14,946,349 | |
| TBRA = 15% of allocation | \$ 2,989,270 | |
| | \$ 19,928,465 | |

The Community Needs Survey, an informational tool administered by TDHCA, is designed to provide TDHCA with a better understanding of what regional and local governing entities prioritize as their greatest housing and community service needs. This survey was most recently conducted in 2003 and 2006. TDHCA reviews the responses submitted from local community leaders and summarizes the data. Approximately 50% of the respondents have indicated that home repair assistance is their greatest need, followed by homebuyer assistance and construction of new rental development. These responses mirror the application requests received for the HOME Program.

Single Family Activity Demand

A review of recent funding years for single family activities yielded the following results:

2002-2003

TDHCA conducted a double funding cycle meaning that it accepted applications for two years worth of HOME funds. Approximately \$32 million was made available for single family activities. The total amount requested exceeded \$132 million resulting in an

overall oversubscription of approximately \$99.7 million. This oversubscription resulted in only 32% of all funds requested actually being funded. Of the \$99.7 million oversubscription, approximately \$96 million was a result of the OCC activity.

2004

Approximately \$22 million was made available for single family activities. The total amount requested exceeded \$93 million resulting in an oversubscription amount of approximately \$71.1 million. This oversubscription resulted in only 23% of all funds requested actually being funded. Of the \$71.1 million oversubscription, approximately \$68 million was a result of the OCC activity.

2005

Approximately \$30 million was made available for single family activities. The total amount requested exceeded \$78 million resulting in an oversubscription amount of approximately \$48 million. This oversubscription resulted in only 38% of all funds requested actually being funded. Of the \$48 million oversubscription, approximately \$42 million was a result of the OCC activity.

2006-2007

TDHCA again conducted a double funding cycle. Approximately \$46 million was made available for single family activities. The total amount requested exceeded \$47 million resulting in an oversubscription of approximately \$1 million. This oversubscription resulted in 97% of all funds requested actually being funded. TDHCA believes that this significant shift was due to several factors including the rule change that was designed specifically to reach more applicants by reducing the maximum request per applicant.

Rental Activity Demand

Prior to 2003, TDHCA was challenged in its Multifamily (rental) lending with HOME resources. Application rounds were not oversubscribed. Since that time, TDHCA has made an effort to increase the number and amount of HOME lending through multifamily programs. Starting in Fiscal Year (FY) 2004 TDHCA began releasing its HOME Rental funds as open cycles meaning that applications were not submitted competitively, but instead could be submitted any time throughout the year as long as funds were still available. The intent was to open the time period during which funds were available to give applicants greater flexibility in seeking funding and to allow smaller developments access to funding for a longer period during the fiscal year.

There have generally been three HOME rental programs: a Preservation activity, a General activity, and then a Community Housing Development Organization (CHDO) rental activity. For each of the HOME rental activities, the open cycle approach has led to greater subscription and subsequently greater production. The most significant increase has been through the General Set-Aside available to all eligible applicants for new construction, rehabilitation and acquisition. In both fiscal years 2005 and 2006 the General Set-Aside and Preservation activity has been sufficiently subscribed or over subscribed. There are unique factors that contribute to this oversubscription which include a scoring incentive in the Housing Tax Credit (HTC) Program for applicants that apply for HOME funding and an HTC Rural Rescue activity that promotes the

subscription of the Preservation funds. The other activities have continued not to have significant oversubscription.

2004

Multifamily HOME Program funding was provided for rehabilitation and new construction for 453 low-income housing units. An average of \$11,938 was spent per unit on rehabilitation of multifamily housing units, and an average of \$46,615 was spent per unit of new construction.

2005

Multifamily HOME Program funding was provided for rehabilitation and new construction for 706 low-income housing units. An average of \$7,564 was spent per unit on rehabilitation of multifamily housing units, and an average of \$26,928 was spent per unit on new construction.

2006

Multifamily HOME Program funding was provided for rehabilitation and new construction for 466 low-income housing units. An average of \$15,788 was spent per unit on rehabilitation of multifamily housing units, and an average of \$38,234 was spent per unit on new multifamily construction.

Considerations – Single Family Activities

Although the percentage of funding available for each single family activity has fluctuated over the last several years, the Owner Occupied (OCC) program remains the activity most oversubscribed (the degree to which the application requests exceed the total of funds available). Funding for activities that do not have enough qualified applicants is redirected to the next activity that had a higher number of qualified applicants within the region.

Considerations – Multifamily Activities

As noted, one of the Multifamily activities relates to the availability of CHDO funds. Federal program guidelines require that at least 15% of the annual allocation be directed to CHDO entities. In the past, these funds have been undersubscribed as demand and capacity are limited. However, in 2006, the CHDO set aside was fully subscribed, showing growing demand and capacity among non-profits to utilize the funds. Because the CHDO funds are a federally required set-aside, the distribution of funds must continue to include this set-aside regardless of its under subscription. Because TDHCA wants to fully utilize its HOME funds, the topic of CHDO funds is included later in this report as an independent issue.

Considerations – Summary

In summary it should be noted that while oversubscription on single family or multifamily activities may be perceived as demand, it is not necessarily a reflection of true demand in a community or a reflection of need. Often subscription to a program or activity is

limited by the program's cost effectiveness to administer by the subrecipient, the administrative dollars to be earned, the role of consultants in the application or implementation process, the incentives provided by other programs, etc. A discussion on the allocation of funds must weight all of the factors.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

The Task Force as a group had fairly limited discussion on this issue. The Options below reflect the discussions sufficiently. It was discussed that the annual Consolidated Plan process which ensures public comment on the annual allocation of HOME funds is a good method for ensuring the ability to change the allocations as needed and that separate from this input, the Consolidated Plan process should also be used.

Options

15. Award HOME Homebuyer Assistance funds through a reservation system, similar to the Single Family Mortgage Revenue Bond down payment assistance program.

Pros:

- 3 Commitment and expenditure rates for TDHCA will increase.
- 3 Increased interest and utilization of the program.
- 3 It will allow small communities to provide Homebuyer Assistance on a smaller scale without competing for funds via a competitive application cycle.

Cons:

- 3 The HOME Allocation is subject to the Regional Allocation Formula. If not utilized, the amount set-aside for Homebuyer Assistance under this reservation system will remain on hold in a region. Currently, Homebuyer Assistance funds are moved to the rural set-aside for the Owner Occupied activity if no applications are received for a region and/or subregion.
- 3 Implementation training, as well monitoring, will significantly increase.

16. Increase the amount of HOME funds allocated to non-CHDO rental housing development activities to at least \$10 million.

Pros:

- 3 Funds will be expended in a timely manner, increasing the Department's expenditure rate and national ranking status.
- 3 It is the primary intent of the HOME Program according to the HOME Final rule at 24 CFR 92.1.
- 3 Nationally, other states spend about 52% of their entire HOME allocation on multifamily, while Texas spends only about 13-14%. At the same time, the amount of money available for owner occupied rehabilitation financing on a per home basis in Texas far exceeds the amount of money used for this activity in other states.
- 3 Multifamily owners can show that their HOME funded projects are serving the very low income community in significant proportions.

Cons:

- 3 It will decrease the amount of funds available for the need and demand OCC, HBA, and TBRA activities.
- 3 It will not increase the utilization rate for CHDO rental funds which seem to be the most problematic for the agency to commit. The single family programs are as a whole oversubscribed while multifamily programs are not.
- 3 In other states, the HOME allocation may not be large enough to support a variety of uses. For ease of administration, many states simply allocate their HOME funds to multifamily. In addition, many states have adequately funded housing trust funds that can be used to support single family activities, thus enabling HOME funds to be used for subsidizing multifamily developments. This is not the case in Texas.
- 3 HOME funds are a precious, limited resource and should be prioritized according to need. While there are other programs available to finance multifamily rental, like tax credits and bonds, there are fewer programs available to finance owner occupied rehabilitation and similar activities for which HOME funds are used in Texas.
- 3 The OCC program is considered to be an economic development and neighborhood revitalization program that helps stabilize neighborhoods in

decline and encourages increases in property values and taxes across single family neighborhoods.

- 17. Keep the current allocation the same, with no additional funding for Multifamily development, since the multifamily housing has not been identified as a high needs priority by the current *Community Needs Survey*.**

Pros:

- 3 Provides local officials with control and a voice in the process for allocating affordable housing resources.
- 3 HOME represents the only significant source of single family homeownership funding for the rural areas of the state.

Cons:

- 3 May not prioritize most efficient administration of HOME funds, but according to the *HOME Program Production Report (12/31/06)* the HOME Program Cost per Unit by Activity and Type and Tenure, the average for rental activities was \$11,523 more than Homebuyer programs and \$5,480 more than Homeowner programs.

- 18.** Department should consider a forward commitment process to help assure CHDOs that are meeting benchmarks and using funds effectively that there will be funds to follow that first award. Department should utilize a forward commitment type process for large scale CHDO developments, thus protecting the CHDO's risk, while at the same time gaining advantageous economies of scale. The CHDO will know that funds will be available for later stages of a project, not just Phase I. This would also apply to public housing authorities.

Pros:

- 3 Will allow for longer-term support for CHDOs producing multifamily rental properties.

Cons:

- 3 Could prevent new CHDOs from accessing funds in a timely manner if more funds are forward committed.

- 19. Enhanced Flexibility.** Developers perceive that the TDHCA Board has established a policy that HOME funds for multifamily should be used as a repayable loan and not as a grant. We recommend that TDHCA be more flexible in its approach, using the funds in whatever way a property needs them. Some

properties are capable of repaying loans, with or without interest. Loans that can be repaid should be repaid, as the funds can be recycled for other uses. However, some loans must be "soft" and some projects, particularly in rural areas, cannot repay the funds at all. The preference for fully repayable loans has discouraged many non-profits from participating in the CHDO set-aside. There are numerous rural properties that require preservation and cannot support loan repayment. The pool of applicants would be increased and the greatest needs of the State of Texas would be met if TDHCA would take a more flexible approach to the use of its HOME funds for multifamily rental.

Pros:

- 3 As noted above, a primary goal for the HOME program is to serve low and very low income families with rental housing properties. Under federal law, the HOME program is unique in its structure – it can be used to fulfill many different kinds of needs. There are projects that simply cannot be built or preserved without HOME funds. These are the projects that need to be prioritized. With that priority, TDHCA will see a more effective use of its HOME allocation.

Cons:

- 3 When HOME funds are repaid, they can be recycled for other uses. Thus, TDHCA will maximize the benefit of its HOME funds by requiring repayment. With limited HTF money available, recycling HOME funds is even more critical. Projects that are incapable of repaying the HOME funds are marginally viable and are too great of a risk for this limited resource.
20. Instead of applying the Regional Allocation Formula annually across the entire state every year, stagger the number of regions that are served by the formula over several years. For example, 2008 funds may serve 6 regions and 2009 funds may serve the remaining 7 regions.

Pros:

- 3 More funds will be invested into targeted areas, creating a more significant impact in those regions.

Cons:

- 3 All regions will not be able to participate annually, which may limit some organizations.

21. Department needs to create a Single Family CHDO Development activity for rural Texas.

Pros:

- 3 Will help maximize the use of CHDO funds in Texas.
- 3 Single family CHDO funds can be structured as a loan as less equity is needed for single family production programs.
- 3 Can be used in conjunction with down payment assistance already available through TDHCA.

Cons:

- 3 Will take resources away from the CHDO multifamily program
- 3 May prove to be more difficult for the agency to administer the program.

Issue 6: Utilization of CHDO Funds

Background

Federal program guidelines require that at least 15% of HOME funds must be set aside for specific activities to be undertaken by a special type of nonprofit called a Community Housing Development Organization (CHDO). A CHDO is a private nonprofit community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves. CHDOs must be certified by the Department that they are a CHDO before receiving funds. These funds must be allocated for housing development activities in which qualified CHDOs are the owners, developers and/or sponsors of the housing. These CHDOs must demonstrate the capacity of their key staff to carry out the activity they are planning.

CHDOs are not eligible for Tenant Based Rental Assistance or Owner Occupied rehabilitation activities. The only eligible activities include the following when carried out by a CHDO acting as the owner, sponsor or developer:

- 3 Acquisition and/or rehabilitation of rental housing
- 3 New construction of rental housing
- 3 Acquisition and/or rehabilitation of homebuyer properties
- 3 New construction of homebuyer properties
- 3 Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds.

In Texas, state law requires that at least 95% of all HOME funds be utilized in non-Participating Jurisdictions (non-PJs). Non-PJs are essentially parts of the state that do not receive funds directly from HUD and are generally the rural areas of the state. One of the challenges TDHCA has faced is jointly meeting the CHDO set-aside and the state 95% requirement. Often the CHDOs with the capacity to implement development activities are located in more urban areas. Because of this situation, TDHCA over the years has consistently examined new methods to effectively distribute its CHDO funds. For the last several years, TDHCA has almost solely used its CHDO funds for multifamily rental activities. This issue is structured to consider whether CHDO funds can effectively be used in other non-rental activities as well.

As previously noted there were originally attempts to utilize CHDO funds for single family development. One of those efforts included an Interim Construction Program (FY 1998) which funded several partnerships between developers and participating lenders. These funds were designed to pay 50% of the acquisition cost and all construction costs through an interim loan which was taken out by a participating lender. The program was not limited to CHDOs and funds were awarded to a number of non-profits. While funds were ultimately allocated and therefore considered a success, the program proved labor intensive and a majority of the contracts required substantial time extensions to reach project completion.

Another single family effort to fund CHDO developers with down payment assistance was deemed as non-CHDO eligible. The decision was based on the fact that the CHDOs did not use the funds to develop the property. TDHCA considers the development of the property to mean that program funds are applied to at least one or more phases, including acquisition, lot development, or building construction. If funds have been budgeted for such uses, financing activities such as down payment assistance or principal buy down become legitimate CHDO expenditures.

Considerations

As noted, a significant challenge to TDHCA has been identifying and/or building CHDOs with adequate capacity in rural areas. Capacity and adequate markets were challenges even before funds were limited to primarily rural non-PJ areas. The capacity of CHDOs is considered an independent issue later in this report; while they are tied together, this Issue is intended to discuss the use of CHDO funds for other activities in addition to rental activities. After several years of only releasing CHDO funds for multifamily activities and not always achieving sufficient demand, TDHCA has begun work on single family CHDO development programs again. TDHCA believes funds should continue to be used for rental activities, but that by expanding this pool to other types of activities the full amount of CHDO funds can be annually committed.

Two single family CHDO development programs have been developed over the past eighteen months. The first, known as The Colonia Model Subdivision Program (CMSP), made funding awards in February, 2007. The program functions as a small scale development program limited to \$1.5 million per applicant and is designed to promote development of single family homes. The funds function as a first lien, zero-interest repayable loan committed by TDHCA for a 30-year term. Affordability is considered to be satisfied after 15 years. The loan amount is calculated based on the family's ability to pay. Taxes, insurance and utilities are calculated as part of the affordability. The program allows only five lots to be acquired at any given time and three units in production at any given time to prevent a risk of more than five lots in default from any given contract.

Similar to the CMSP, the Single Family Development Program is being developed and an application manual will be completed. The major difference between these two programs is that the CHDO Single Family Development Program requires a loan by a private lender. The program creates a large second lien in the form of a deferred forgivable loan.

A possibility for future CHDO development might be pre-development loans. These loans are allowed for specific costs under federal regulations (24 CFR 92.300). Another area for CHDO activity is the partnering of for-profits or experienced CHDOs with less experienced CHDOs in a way that would allow training or "peer mentoring" during the development process. At a minimum, this structure would require clearly defined partnership roles, the complete legal and fiscal liabilities delineated, and operating plans of the mentoring entity while the CHDO maintains control over the project. TDHCA

could consider cultivating longer term commitments to CHDOs on the development, technical assistance and funding of single or multifamily developments in rural Texas.

While these options are not exhaustive, they provide a basis for discussion.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

When examining issues regarding Community Housing Development Organizations (CHDO)'s, there are typically five major topic areas of analysis including: 1) the underutilization of funds or being "undersubscribed" (not enough applications) for a particular activity 2) capacity building issues—both growing the existing capacity of operating CHDO's and fostering the growth of new organizations 3) single family development or examining ways to assist in the increased participation by non-profits in single family development 4) multi-family housing development issues including promoting non-profit investment in multifamily properties 5) Loan Guarantees—leveraging financing from private-sector financial institutions.

While "capacity building" issues will be discussed more extensively in the following chapter, the remaining four issues will be addressed through options in the following section:

Options

Underutilization

As previously described, the challenge of underutilization of funds includes the inability to fully subscribe the 15% annual CHDO allocation. In part this may be due to the fact that the use of HOME CHDO funds has heretofore been primarily for rental activities. Given the difficulty in reaching the 15% minimum set-aside amount, it is not practical to recommend increasing the percentage at present, unless a Single Family program is also implemented. In order to increase full participation by CHDO's, the following options are presented:

22. Simplify the CHDO application. The Department's current requirement that all CHDO organizational documentation must be submitted with each CHDO application is repetitive, costly, and time consuming. An annual certification of significant events, similar to that used by the US Treasury CDFI fund, should be ample to ensure CHDO compliance.

Pros:

- 3 Many organizations will come back into the program once it is simplified and less expensive to applicants.

Cons:

- 3 None identified by the Task Force.

23. Set benchmarks for CHDO's that are interested in receiving Department HOME predevelopment funds. As a part of the Department's CHDO Capacity Building project, the Department should work with CHDO's to set realistic benchmarks for administrative, financial, and project performance. These benchmarks should be used to measure long term administrative, financial, and project viability of the CHDO itself. CHDO's attaining such benchmarks should be eligible for and receive priority for Department HOME funding. The US Department of Treasury CDFI fund benchmarks could be used as a model for starting to assemble such criteria.

Pros:

- 3 This will help increase the capacity of CHDO's; ensure the Department that funds awarded to CHDO's that have achieved the benchmarks are not significantly at risk. This benchmarking process will allow CHDO's to transparently view the Department's expectations for an organization that they are willing to invest HOME dollars in Being able to access the Department's HOME funds on a "preferred" basis, would encourage CHDO's to continue to strive to improve performance related to such benchmarks, particularly if larger HOME awards, were available to such organizations.

Cons:

- 3 None identified by the Task Force.

24. Creation of a Cross-Division vetting team, made up of representatives from various TDHCA Departments would perform due diligence within own Division on proposals that are submitted or are in the process of being developed by CHDOs. Project proposals would be discussed by the team; and additional technical assistance provided if warranted. Once a fully vetted HOME CHDO project proposal has passed Cross-Division team review, the Project would be deemed by the Department to have been viable with the established HOME funding level, and would be presented to the Board for consideration.

Pros:

- 3 Such a process would allow for CHDO projects to be developed in concert with Department staff. Cross divisional personnel would ensure that

roadblocks would be identified and suggestions made for overcoming such. Department staff would assist potential applicants with the development of, or the review of, CHDO projects both those in development as well as those seeking “open cycle” funding. This would provide a “one stop” shop within the Department for CHDO’s to have their projects vetted, outside of the “all or nothing” application award process.

Cons:

- 3 None identified by the Task Force.
25. Tier eligible funding levels based on CHDO capacity. The Department should scale awards based on capacity of organization, allowing for organizations with demonstrated greater capacity to be awarded a larger amount of funds. (e.g. CHDOs producing less than 10 homes per year limited to \$250,000; CHDOs producing between 10-25 limited to \$500,000 etc.)

Pros:

- 3 This type of HOME funding is common in many states, and encourages small CHDO participation and provides an appropriate level of funds for anticipated production; allows for CHDO’s to be escalated to higher funding levels based on successful execution; provides for more sophisticated CHDO’s to expend larger amounts of funds than are currently available in a funding round.

Cons:

- 3 Staff may have to work more closely with organizations to determine level of capacity
 - 3 None identified by the Task Force.
26. A percentage of CHDO proceeds should be left with the CHDO for future eligible projects to serve as an incentive to participate and to allow the CHDO to develop more affordable housing. Additionally, once the CHDO proceeds have been utilized for eligible activities, no further Department monitoring is required.

The suggestion that funds awarded under the CHDO set aside be initially used by the CHDO (say for interim construction) and that only a small percentage of such funds be permanently left in the project while the remainder of the funds are returned to the Department as program income to be “washed” of the CHDO designation is not a concept supported by the Committee.

Pros:

- 3 Allowing the CHDO to utilize project proceeds creates a capital pool for CHDO's to utilize for future affordable housing in accord with the HOME rules. The retention of such proceeds would encourage more CHDO applicants than would returning such funds as program income to the Department.

Cons:

- 3 None identified by the Task Force.

Single Family Development

A single Family Development program should be developed and implemented by the Department that is structured to meet the needs of CHDO developers and sponsors. Once HOME funds go through the system, the Department should set aside a certain percentage of the resulting program income to go back into a CHDO capacity building initiative at the Department.

- 27. Currently, the Department underwriting staff has limited experience in underwriting Single Family development deals. The Task Force would like to suggest having a SF underwriting specialist as part of the TDHCA / CHDO team.

Pros:

- 3 The Single Family development underwriter will assist the CHDO in properly structuring the development project to meet TDHCA guidelines, to maximize HOME effectiveness, and to ensure viability of the project. In this way, the SF development will be "underwritten" by the Department as the project proforma is developed. This will minimize the chances of CHDO projects being submitted that are deemed to be unacceptable to the Department's underwriting department.

Cons:

- 3 None identified by the Task Force.
- 28. The Department should develop a method to "risk share" through CHDO predevelopment loans or grants (to pay costs of items required by the Department's application process that are prohibitive as upfront costs) as CHDO projects move forward. This could take the form of sharing the costs of predevelopment activities. A CHDO project submission to the Department (using the Tax Credit application criteria as an example) would be so expensive up front that a CHDO would be unlikely to apply with no guarantee of funding. CHDOs

should be provided, through predevelopment funding and a pre application process from the Department, the funds necessary to pay for costs of items, such as market studies, environmental, surveys, appraisals, engineering etc. after an initial proforma of the project has been reviewed, and deemed feasible by the vetting team.

CHDO's should be allowed to retain "project proceeds" for other eligible housing activities as permitted by the HOME rules. This would provide CHDO's with a way to build capital for future SF and MF development projects

Pros:

- 3 CHDO SF projects can be developed in stages from raw land option and acquisition, through infrastructure development, through interim construction, construction, and home sales. The Department vetting team would work with the CHDO through each step, if needed, with the assumption that HOME funds will ultimately be made available to the project. Allowing CHDO's to retain "project proceeds" encourages applicants and allows for additional capital to be used by the CHDO's for future affordable housing activities.

Cons:

- 3 None identified by the Task Force.
29. More timely approval and responses on submitted proposals are needed from the Department. The process needs to be more streamlined and HOME contracts awarded on a more timely basis. Initial application roadblocks such as required appraisals, environmental assessments, etc., are expensive with no guarantee of HOME funding. Requirements for applying for funding should be less restrictive, perhaps utilizing a preapplication process to assist the Department in determining viable projects to move forward. This could be done as a part of the Cross-Division team. The present HOME application system is an "all or nothing" approach that fails to allow for projects to be revised or restructured by the applicant.

Pros:

- 3 This process would allow for the Department to view viable projects outside of the formal HOME application process, tie up predevelopment funds to projects deemed viable, and move projects in a sequential manner toward HOME funding approval.

Cons:

- 3 None identified by the Task Force.

30. Create an open funding cycle. This would allow more sophisticated CHDOs to seize development opportunities as they arise on the local level and be able to get an application to the Department and get it approved quickly.

Pros:

- 3 Single family development opportunities are market driven. The ability to be able to develop and secure funding for a single family development project allows for costs to be minimized; allows for timely commitment of funds by the private sector to the project; advantages market dynamics motivating SF homebuyers; allows for additional leverage.

Cons:

- 3 None identified by the Task Force.

31. The Department should utilize a forward commitment process as regards the commitment of HOME CHDO funds for larger SF development projects.

Pros: The utilization of a forward commitment would allow large scale SF affordable housing developments to be master planned thus saving development costs that ultimately are passed to the buyer. A forward commitment of HOME funds would allow for larger development projects; would allow for additional HOME dollars to be expended in the event of heightened market demand; would provide the CHDO with assurance that future HOME dollars are available to it should all benchmarks be met; would allow for sequential infrastructure development to be completed in advance of HOME expenditure deadlines; would allow for development costs to be minimized; and would allow the CHDO to realize cost savings due to larger scale.

Cons:

- 3 None identified by the Task Force.

Multifamily Development

While many Single Family issues are similar to those for Multifamily (MF) CHDO projects, there are several unique issues in Multifamily development identified by the Task Force. Initially, there is a delay in getting MF funds out the door. Secondly, significant time gap between applying for funding and receiving a contract. Third, projects have expenses up front before an award begins.

32. The Department should make the projects the priority instead of the competitive cycle. Like SF, viable projects should be brought to the table through a simple preapplication process that is reviewed by the Department vetting team.

Pros:

- 3 The Department has the ability to scan projects for viability, and to work with the CHDO to develop the project for success.

Cons:

- 3 None identified by the Task Force.

33. Department should fund smaller CHDO projects or first-time projects, scaled to the capacity of CHDO. This would allow the Department to help build the capacity of less sophisticated CHDO's with less risk.

Pros:

- 3 Smaller CHDO projects could be funded in stages, with the Department assisting the CHDO throughout the development process.

Cons:

- 3 None identified by the Task Force.

34. The Department should have a "workout group" that is independent, to which CHDOs that need help to resolve issues can discuss possible solutions to roadblocks with to keep their projects viable.

Pros:

- 3 The current HOME application process is an "all or nothing" gamble. The above "workout group" would allow for CHDO's that have structuring or other questions to have them answered by Department personnel that are not involved in the ultimate application and scoring process.

Cons:

- 3 None identified by the Task Force.

35. The Department should set up a predevelopment fund. This could be tied to the Department's provision of Technical Assistance to CHDO's, and CHDO's that are a part of the TA program should be given priority to access it.

Pros:

- 3 This fund would be similar to that suggested for SF.

Cons:

- 3 None identified by the Task Force

36. The Department should roll the payback of predevelopment loans into the construction period of the project. The first draw is usually at the closing of property and should include the payoff of predevelopment loan instead of the CHDO having to repay the loan out of organization's funds.

Pros:

- 3 Predevelopment loans should not need to be repaid upon the first interim construction draw for SF or MF projects.

Cons:

- 3 None identified by the Task Force.

37. CHDO predevelopment funding should be a forgivable loan in the event the project is deemed to be not viable.

Pros:

- 3 Utilizing a pre-application process and the Department vetting team should minimize the use of HOME predevelopment funds that would be used on non viable projects. However, knowing that predevelopment funds would not need to be repaid, should the project be deemed unviable for a legitimate reason, would encourage additional CHDO participation.

Cons:

- 3 None identified by the Task Force.

38. Utility allowances are problematic for Multifamily projects. The Department should include energy efficiency in the scoring to encourage control over utility expenses.

Pros:

- 3 The use of energy efficient products increases project viability and reduces overall expenses.

Cons:

- 3 None identified by the Task Force.

39. CHDOs need an additional source of subsidies for Multifamily housing apart from Housing Choice Voucher (Section 8). Perhaps the Department could use the program income to build in such a subsidy. Department could guarantee a subsidy stream if a Multifamily project doesn't get Housing Choice Vouchers as promised.

Pros:

- 3 Securing Housing Choice vouchers at the local level is increasingly difficult, with no guarantee that such vouchers, even if initially made available, will continue to be made available through the life of the project. A HOME subsidy would ensure increased CHDO applications.

Cons:

- 3 None identified by the Task Force

40. The Department could institute a CHDO emergency fund (Safe Harbor) if organizational circumstances change, not due to the CHDO, which get a project in trouble. Use of such a fund would be approved by the Department CHDO team.

Pros:

- 3 CHDO MF projects that run into trouble due to changes in CHDO organizational circumstances, need to be "rescued".

Cons:

- 3 None identified by the Task Force

41. Activities including repair, remodel for older HOME CHDO MF projects are not available to CHDOs but are for tax credit projects after 15 years. Older CHDO projects should go to the top of the at-risk list.

Pros:

- 3 Allows more activities for CHDO's to participate in the program.

Cons:

- 3 None identified by the Task Force.

42. In the case of small, developing CHDOs that cannot secure financing, the Department could enter into an agreement with the participating lender to leverage the risk. In the case of acquisition / interim construction, the Department should leverage private-sector financing.

Pros:

- 3 CHDO HOME funds could be used as guarantee, debt reduction, take second lien positions, invest CHDO equity to leverage private sector participation.

Cons:

- 3 None identified by the Task Force.

Loan Guarantees

To leverage SF mortgage take out financing from private-sector financial institutions, to be made available to families with less than “A” paper credit, the following options are available:

43. The Department should consider a set-aside of a certain funding level for guaranteeing loans made by private sector institutions to families that are not able to access secondary market or portfolio mortgage products. The Department might look to other states for examples.

Pros:

- 3 This SF lending pool would provide long, term mortgage financing for families not able, due to credit or other underwriting constraints, the secondary or portfolio mortgage market. Department HOME funds could be made available as guarantees to lenders “willing to step up” to provide reasonable cost financing using more relaxed underwriting guidelines. The availability of such mortgage funds, on a broad scale, would allow for additional affordable housing to be built, with builders knowing that a new mortgage credit product is available in the marketplace.

Cons:

- 3 None identified by the Task Force.

Issue 7: Increasing Capacity of CHDO Applicants

Background

As noted in Issue 6, federal program guidelines require that at least 15% of HOME funds must be set aside for specific activities to be undertaken by a special type of nonprofit called a Community Housing Development Organization (CHDO). A CHDO is a private nonprofit community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves. These funds must be allocated for housing development activities in which qualified CHDOs are the owners, developers and/or sponsors of the housing. These CHDOs must demonstrate the capacity of their key staff to carry out the activity they are planning.

In Texas, state law requires that at least 95% of all HOME funds be utilized in non-Participating Jurisdictions (non-PJs). Non-PJs are essentially parts of the state that do not receive funds directly from HUD and are generally the rural areas and smaller municipalities of the state. One of the challenges TDHCA has faced is jointly meeting the CHDO set-aside and the state 95% requirement because often the CHDOs with the capacity to implement development activities are located in more urban areas. This issue is intended to discuss the challenges and opportunities for increasing the capacity of CHDO applicants.

For many years TDHCA has experienced difficulties in identifying and developing the capacity of CHDO applicants for its programs. While we have used both local (HTF) and federal (CHDO TA grants) to promote capacity building, there continues to be a limit to the number of qualified CHDO applicants applying for TDHCAs funds. The State has had limited success in utilizing CHDO operating expenses and pre-development loans to expand capable CHDOs and prior attempts at intensive comprehensive technical assistance have not yielded significant results.

It should be noted that in recent years, the HOME CHDO rental development program has seen an increase in application and award rates. The increase in Housing Tax Credit (HTC) applicants finding ways to layer HOME CHDO rental development funds with tax credits combined with the innovations of several urban CHDOs in utilizing these funds for Single Room Occupancy developments has positively impacted this program; however TDHCA continues to have difficulty in awarding 100% of its annual funding. Key factors for this include the lack of qualified and experienced CHDOs in non-Participating Jurisdictions and the need for greater subsidies in small rural development transactions. TDHCA is hopeful however that new capacity building and technical assistance activities will continue the upward trend of success for this program.

While TDHCA recognizes the need to encourage the growth of new CHDO participants, it is also concerned about the capacity of such organizations to administer HOME Program contracts. TDHCA assumes a financial risk for awarded but unsuccessful

HOME rental properties that upon completion are faced with operational problems due to lack of operational capacity.

With the support and encouragement of HUD, TDHCA has been working with ICF Consulting to address the problem of CHDO capacity. As part of this process, ICF provided direct technical assistance to 8 CHDOs and held extensive interviews with 12 CHDOs regarding their capacity and relevant experience with working in the TDHCA development funding system. ICF also conducted a survey and shorter phone interviews to 47 CHDOs identified by TDHCA. Throughout this time, ICF also worked directly with TDHCA as they monitored active CHDO projects.

The goal of this effort is the development of a network of viable CHDOs that have the long-term capacity to serve low-income Texans. ICF's assessment of CHDOs' capacity and the resulting recommendations are based on direct interviews, direct observations, the survey, review of selected CHDO financial statements and business plans. ICF is still in the process of finalizing a report that reflects this research.

The draft report identifies the need for capable CHDOs in rural Texas. Survey respondents indicated that a significant barrier to CHDOs' building capacity and producing affordable housing is the limited funding for development, operations and planning. Respondents also cited the chronic lack of CHDO administrators who have comprehensive skills in real estate development. TDHCA does not currently offer training on development practices, business planning or financial management for existing CHDOs or for organizations that intend to become CHDOs, although there are many reputable training providers who offer such training for nonprofits.

The draft report details that since 1993, the State has had access to more than \$23 million to support the operational and capacity building expenses of CHDOs, and over \$1.2 million in program income that could be used to provide direct training and technical assistance to CHDOs or organizations seeking to become CHDOs. Except for a small portion, these funds have gone to non-CHDO projects based on Department priorities. The operational funds that are being provided to CHDOs go solely to organizations that already have viable, TDHCA-approved projects. During this time, there have been requests for these funds from the areas that are identified as needing more capacity.

One suggestion of ICF is that small communities and small nonprofits need to be able to carry out small, simple homebuyer development projects. ICF has provided recommendations to TDHCA on how they suggest this could be accomplished while limiting risk by funding small homebuyer developments.

The draft report indicates that some successful, competent nonprofits faced challenges with past funding approval processes. Some other successful organizations use TDHCA funding only as a secondary source of funds. Beyond the single audit requirement, TDHCA does not monitor the financial health of CHDOs that received funding in the

past and are now managing projects. The ongoing compliance monitoring database does not identify CHDOs as distinct from any other entity.

Considerations

TDHCA may have the opportunity to provide more significant funding in targeted rural areas to support ongoing technical assistance and training to CHDOs on topics such as development practices, business planning and financial management for nonprofit organizations. TDHCA could consider awarding application points for CHDOs that successfully complete such training courses.

For organizations that meet the regulatory requirements for CHDO certification, TDHCA could consider funding to support operations and capacity building – with the condition that the CHDOs progress toward compiling an acceptable project proposal and project implementation on an approved timetable.

One of the significant challenges to this approach is that there would be significant added responsibilities for Department staff that would be charged with coordinating these CHDO funding initiatives and developing a plan to address the specific needs of targeted communities.

Personnel would need to be assigned to provide ongoing intensive guidance to CHDOs as well as serve as liaisons within TDHCA to troubleshoot applications and the flow of other information. If undertaken, responsibilities would likely include performing detailed assessments of organizations for capacity; helping communities form CHDOs if necessary; verifying community needs; establishing the criteria for capacity building and progress toward a viable project that the organization must meet to be funded; following up with each organization on a periodic basis; visiting project sites and interviewing key members of the development team; attending board meetings as appropriate; monitoring the ongoing financial health of projects and the organization; guiding a CHDOs choices of project, site, design, marketing, construction and financing; and monitoring the progress of the organization's application and draw requests as they are processed internally by TDHCA and report results to the Executive Director. These staffing decisions would reflect a significant adjustment in human resources.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

There are several issues regarding capacity building that have been examined throughout the Task Force meetings. Methods used by the Department in the field have not worked well in the past. HTF funding is too small, tailored to start-up CHDO's instead of experienced organizations. Capacity building funds are too small with too many restrictions and too difficult to utilize. Affirmative steps are needed by the

Department to build CHDO's in the State of Texas. One challenge is that the State no longer issues CHDO certificates unless a funding application is also being considered by the Department. The inability of a CHDO to provide a recent CHDO certificate causes the organization to lose their favorable tax exempt status. Organizations also lose their CHDO designation if they are not applying for funding. The Department can also examine the certification process as a method for retaining existing CHDO's in the State.

Options

44. A CHDO designation apart from the funding cycle is needed. This is particularly true for MF and SF projects that are developed by a CHDO, and provided a property tax exemption based on the Department's certification. While this certification can be presented in Year 1, the Department's inability to certify the CHDO on an annual basis creates difficulties with local taxing jurisdictions who require certification.

Define a certification term for example, a 5-year certification, with annual recertification based on a simplified questionnaire. A checklist could be sent annually for the CHDO to identify any material changes that may have occurred from their date of certification. Once a CHDO, the organization would remain a CHDO unless something pertinent to certification changed. If such is not possible, the Department should prepare a Certification that can be used over the projects life to recognize it as a CHDO project.

Pros:

- 3 The Department's current requirement that all CHDO organizational documentation must be submitted with each CHDO application is repetitive, costly, and time consuming. An annual certification of significant events, similar to that used by the US Treasury CDFI fund, should be ample to ensure CHDO compliance.

Cons:

- 3 None identified by the Task Force.
45. The Department could set up benchmark requirements for CHDOs applying for capacity building or CHDO set-aside funding, such as those suggested in the draft ICF Report. As a part of the Department's CHDO Capacity Building project, the Department should work with CHDO's to set realistic benchmarks for administrative, financial, and project performance. These benchmarks should be used to measure long term administrative, financial, and project viability of the CHDO itself. CHDO's attaining such benchmarks, should be eligible for and receive priority for Department HOME funding The State would then commit to assist CHDOs that are committed to achieving the benchmarks through Capacity

Building funding based on performance benchmarks. Upon attainment of a % of the benchmarks, the CHDOs would then be eligible for CHDO set-aside funding. This would result in the Department developing a group of organizations the Department could support. The US Department of Treasury CDFI fund benchmarks could be used as a model for starting to assemble such criteria.

Pros:

- 3 This will help increase the capacity of CHDO's; ensure the Department that funds awarded to CHDO's that have achieved the benchmarks are not significantly at risk. This benchmarking process will allow CHDO's to transparently view the Department's expectations for an organization that they are willing to invest HOME dollars in. Being able to access the Department's HOME funds on a "preferred" basis, would encourage CHDO's to continue to strive to improve performance related to such benchmarks, particularly if larger HOME awards, were available to such organizations

Cons:

- 3 None identified by the Task Force.

46. The Department should create a pool of funds, utilizing HOME or HOME program income to support building capacity or mentoring program enlisting experienced CHDOs to assist smaller, developing organizations. Requirements to produce affordable housing will need components such as financial pro forma expertise, training on rules and regulations, and technical assistance to assemble a viable project. These funds could support a mentoring program enlisting experienced CHDOs to assist smaller, developing organizations on such things as requirements to produce affordable housing; financial pro forma expertise, training on rules and regulations, and technical assistance to assemble a viable project

Pros:

- 3 This process would help build the capacity of larger CHDO's, while at the same time utilizing already in hand expertise of such groups to assist developing CHDO's. It would allow both large and small CHDO's to develop capacity based on their documented needs to develop a more productive affordable housing delivery system among CHDO's. CHDO's could potentially develop different areas of expertise, and even offer such services to other CHDO's who don't want to employ permanent staff in those areas (i.e. loan servicing; MF management; FHA underwriting; interim construction lending).

Cons:

- 3 None identified by the Task Force.

47. The Department could develop a small, internal group of Department staff, representing all Divisions that have a role in the CHDO HOME process. This group is described in the previous Section 7 of the Report as the “vetting team”. This would include experts that know how to work with small nonprofits that could be called on by CHDOs to provide technical assistance on project development, including those specific items cited above. This same group would serve as the Cross-Division “vetting” group for all CHDO set aside funding submissions and potential project submissions, who would also recommend Board approval. Many new CHDOs need the Department’s help in identifying work-out solutions when the project does not perform financially as initially projected. CHDOs need the department to be a partner with them, not an auditor.

Pros:

- 3 More solutions could be identified and resolved earlier in the process.

Cons:

- 3 None identified by the Task Force.

Issue 8: Match Requirements

Overview

Federal HOME regulations generally require that each Participating Jurisdiction (PJs) provide match in an amount equal to no less than 25% of the total HOME funds drawn down for project costs. Match is a permanent contribution to affordable housing and is not additional support from federal funds or loans. Match can be credited for cash, assets, services, labor and other resources of value to the HOME Program. HUD provides for a distress criteria that Texas has historically satisfied and reduces match liability to 12.5%. The State of Texas does not provide the entire match necessary to meet this requirement and relies on Single Family (SF) Administrators which include Owner Occupied (OCC) and Homebuyer Assistance (HBA) to provide match. Match is also required for the Tenant Based Rental Assistance Program (TBRA) although recently this requirement has been waived or reduced. TDHCA is in the process of collecting match information from Multifamily Administrators.

Considerations

The OCC, HBA and TBRA programs often have difficulty meeting the match commitments and TDHCA staff has difficulty validating that match meets federal criterion. ICF, the consulting firm utilized for regulatory guidance (also utilized by HUD), developed a Match Guide for TDHCA and trained agency staff by providing information and re-clarification on the eligible forms of match. Also identified were the different forms of match that are deemed as not eligible, but have historically been accepted by TDHCA. The Match Guide information was provided to administrators at the HOME Implementation Workshops in October 2005 and was effective immediately.

Match is often difficult for TBRA administrators because supportive services which are the primary other source used by the administrators are usually provided by Medicaid and Medicare, both of which are federally funded and therefore not eligible under HUD match guidelines. Most TBRA projects are providing assistance to clients from Mental Health Mental Retardation (MHMR) providers, elderly or welfare recipients. The requirements to administer the TBRA grants can be labor intensive and the match requirement has made it more difficult to assist this population.

Administrators of HBA loans for purchases on existing homes face difficulties with match because there are no fees that can be waived. The nonprofits that participate in the program would like to utilize what is considered "look alike" match which is match where credit is earned on projects that are not assisted with HOME funds, but meet HOME requirements of income, rent, and all other HOME rules. While TDHCA could establish a standard for look alike match it would require a 15 year affordability period and would require monitoring for the full 15 year period. Staff has questioned the feasibility and resource needs of monitoring over such an extended period.

Administrators for OCC activities face different challenges with match. State law does not allow local governments to spend local tax dollars on private property. For small cities without city staff and little tax revenue, it can be difficult to generate local match. Volunteer and donated services are capped at an hourly rate unless such services are routinely provided by donor in their ordinary course of business.

Although match can be a hurdle for multifamily applicants, these are typically larger projects and generally are able to provide a larger amount of match.

An administrator's inability to submit eligible match or document that meets federal match criterion affects their ability to draw funds on a timely basis. This, in turn, affects TDHCA's ability to meet match requirements and harms the ability to draw down funds from HUD's perspective. TDHCAs central database, used for contract management of the HOME program, is programmed to deny an administrator draw request of more than 50% of project funds unless they have provided 50% of their match commitment. The full 100% of eligible match must be banked to draw 100% of project funds. When the match guide parameters took effect many administrators were delayed in completing their projects because of a lack of eligible match.

During a recent monitoring visit, HUD indicated that TDHCA is not fully utilizing all eligible forms of match. Currently, the TDHCA policy states "Developers, owners, and contractors may not directly contribute match in any form but match may be generated by outside parties donating cash, land, services, and other items to developers to support their affordable housing effort." This interpretation has eliminated many eligible forms of match from being realized.

Federal rules as published at 24 CFR 220 (b) (4) prohibit matching contributions from certain sources as follows:

"Cash or other forms of contributions from applicants for or recipients of HOME assistance or contracts, or investors who own, are working on, or are proposing to apply for, assistance under the HOME program. This provision does not prohibit contractors who do not own any HOME project from contributing professional services in accordance with 92.220 (a) (8) or prohibit persons from contributing sweat equity in accordance with 92.220 (a) (9)."

The HUD language permitting match from consultants and construction contractors is further reinforced in OMB circular A-87:

i. Donated services

- (1) Donated or volunteer services may be furnished to a governmental unit by professional and technical personnel, consultants, and other skilled and unskilled labor. The value of these services is not reimbursable either as a direct or indirect cost. However, the value of these services is not reimbursable either as a direct or indirect cost. However, the value of donated services may be used to meet cost sharing or matching requirements in accordance with the provision of the Common Rule.

Since this form of match is allowed by HUD, accepting it would give many subrecipients the ability to meet their HOME match requirements.

TDHCA currently has \$22 million of match “in the bank” and has one year remaining from a waiver of match due to waivers granted to the state for impacts associated with Hurricane Rita. TDHCA will continue to earn match from bond proceeds, housing trust funds and the OCI Bootstrap Program. With the current waiver, excess funds and a variety of funding sources, TDHCA has a window of time to consider further modifications to the match requirements to address the most prevalent match shortages.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

The Task Force as a group had limited discussion on this issue, however there was strong support that the TBRA match requirement be eliminated. All options noted first prefer that the TBRA match requirement be eliminated.. The Options below reflect the discussions sufficiently.

Options

48. Eliminate Match Requirement for TBRA Administrators

Since supportive services are the only eligible category of match for the TBRA activity, match is very difficult to obtain from TBRA administrators.

Pros:

- 3 Since supportive services are time-consuming to document, elimination of the requirement would result in less administrative time required for Administrators and Department staff.
- 3 More timely commitment and expenditure of TBRA funds.

Cons:

- 3 Less match collected and documented for the Department.

49. Reduce Match Scoring Requirement for Applicants Other than TBRA

Reduce percentage of match required in Department applications.

Pros:

- 3 Will result in greater demand for Department funds.

- 3 More timely commitment and expenditure of HOME funds.

Cons:

- 3 Less match collected and documented for the Department.

50. Reduced Match Percentage for Smaller Cities and Counties and Consider as a Threshold Requirement on Application (not points) – Change match requirement on application from a points consideration to a threshold requirement. Require sliding scale match requirements for smaller cities and counties, based on population, see sample table:

| City Population | County Population | Required Match % |
|------------------------|--------------------------|-------------------------|
| < 3,000 | <20,000 | 5% |
| 3,000 – 5,000 | 20,000 – 75,000 | 10% |
| > 5,000 | >75,000 | 12.5% |

Pros:

- 3 Greater demand for Department funds from the smaller communities in Texas
- 3 More timely commitment and expenditure of HOME funds.
- 3 Match scores will no longer be “deciding factor” on applications.

Cons:

- 3 Less match collected and documented for the Department.

Issue 9: Modification of Assistance Amount for Homebuyer Activities

Background

Historically, the HOME Program has provided Homebuyer Assistance (HBA) down payment and closing cost assistance to first-time homebuyers for the acquisition of affordable single family housing. Currently, eligible homebuyers may receive up to \$10,000 in the form of a 2nd or 3rd lien, 0% interest, 10-year deferred forgivable loan. Loans must be repaid at the time of resale of the property, refinance of the first lien, repayment of the first lien, or if the home ceases to be the homebuyer's principal residence.

Considerations

With the escalation of housing cost within the state of Texas due to increases in material cost and the aftermath of Hurricane Rita, the price of housing has outpaced the increase in household income in many areas. Simply put, households earning up to 80% of the area median family income adjusted for family size can no longer locate housing priced within a range they can afford. As a result, one concept for consideration would be to explore the possibility of increasing the amount of assistance available through the HBA activity. Although \$10,000 is generally sufficient to cover down payment and closing cost associated with purchasing a first home, additional subsidy is necessary for principal reduction in order to make the home affordable to many families.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

The Task Force as a group had very limited discussion on this issue. The Options below reflect the discussions sufficiently.

Options

- 51. Separate the American Dream Downpayment Initiative (ADDI) funds from the regular HOME HBA funds³.** American Dream Downpayment Initiative

³Texas Chapter 2306.111(d) may require the funds to be made available thru the Regional Allocation Formula

funds must be first-time homebuyers. In 2005, all Homebuyer Assistance (HBA) funds were ADDI funds. In 2006, TDHCA received \$695,000 in ADDI funds, which were included in the regular HBA funds and are subject to the ADDI restrictions.

Pros:

- 3 Will increase flexibility of homeownership program and HOME HBA and ADDI have different requirements.

Cons:

- 3 May prove too cumbersome to administer as separate funds and may not encourage additional participation in HBA program.

52. Increase Downpayment Assistance amount by a percentage of household income⁴

Pros:

- 3 Goal is to assist low-income Texans obtain affordable housing.
- 3 Will increase assistance to households in the 30-50% of AMFI range.
- 3 May decrease foreclosure rate.

Cons:

- 3 Will serve less households and may affect reporting performance at HUD.

53. Increase Downpayment Assistance amount a percentage of the maximum purchase price as allowed by HUD⁵

Pros:

- 3 Has the potential to serve more families with more housing needs than the current program.

⁴ 24CFR 92.602 d, (ADDI) minimum amount of ADDI funds in combination with HOME funds that must be invested in a project is \$1,000. 24CFR 92.602 e, (ADDI) -Maximum amount of assistance of ADDI funds provided to any family shall not exceed the greater of six percent of the purchase price of the single family housing or \$10,000.

⁵ 24CFR 92.250 – maximum per unit subsidy are the HUD 221(d)(3) limits.

Cons:

- 3 May reduce targeting of lower-income families in HOME Program.

54. Utilize a sliding scale of amount of Downpayment Assistance based on Area Median Family Income (AMFI)⁶.

Pros:

- 3 May more accurately reflect actual downpayment need of homeowners than a fixed amount system.

Cons:

- 3 May limit the number of participants in the program.

55. Require administrators to require lenders to agree to a fixed interest rate.

Pros:

- 3 Will reduce instances of subprime lending or predatory lending practices
- 3 May reduce foreclosure as borrowers are not subjected to alternative mortgages

Cons:

- 3 May limit the number of lenders willing to participate in program.

56. Require administrators to require lenders to agree to impose restrictions on closing costs and fees.

Pros:

- 3 Will increase effectiveness of down payment assistance.

Cons:

- 3 None considered.

⁶ 24CFR 92.205 (c) for general HOME funds – minimum amount of assistance is \$1,000.

57. Require administrators to require lenders to agree to provide education specifically on predatory lending

Pros:

- ³ Will reduce instances of equity stripping and predatory lending, particularly on refinance loans and home equity lines of credit.

Cons:

- ³ May prove too costly and limit the effectiveness of down payment assistance.

Issue 10: HOME vs. Bootstrap: Utilization of Funds for Office of Colonia Initiatives (OCI) Activities

Background

Because of the level of need in Texas from all across the state, the programs offered by TDHCA can, at times, compete with each other when offering similar services to applicants or communities. TDHCA has begun to notice a trend, primarily in colonias, that the Bootstrap Loan Program is in competition with the HOME Program. If a community applies and is funded through both the HOME Program and the Bootstrap Loan Program, the HOME Program funds are utilized first posing challenges to the Bootstrap Program.

The Bootstrap Program also competes with the First Time Homebuyer Bond Program which provides mortgage loans at or below market interest rates. Families eligible to participate in the Bootstrap Loan Program may also be eligible to participate in the First Time Homebuyer Program to obtain a competitive interest rate. One clear disadvantage to Bootstrap is that neither the HOME Program nor the First Time Homebuyer Bond Program require sweat-equity by the homeowner. A clear advantage is that by including sweat-equity, the Bootstrap home might be larger or have a greater value when completed due to lower costs of development.

Considerations

The program parameters for each program are as follows:

Bootstrap:

- € Sweat-Equity required (60%) by applicant to build their homes
- € Repayable Loan
- € Household income may not exceed 60% AMFI
- € Maximum loan amount from TDHCA may not exceed \$30,000 and the total loan amount including all repayable loans may not exceed \$60,000.
- € Applicants may obtain financing from the private sector for an additional \$30,000.
- € In most cases these applicants will only qualify for above market interest rates.

HOME – Owner Occupied:

- € No sweat equity is required from the family.
- € Generally deferred forgivable loan based on income level
- € Household income may not exceed 80% of the AMFI.
- € Forgivable Loan up to \$55,000, but 16% of these funds may be used for administrative and “soft costs” for construction.

Because of these factors, families who own their own home and who may have originally been interested in participating in the Texas Bootstrap Loan Program to

rehabilitate their existing residence are canceling their Bootstrap Application and applying under the HOME Owner Occupied Program (OCC). While ultimately this is a success for the family and TDHCA is able to serve a household it is simultaneously causing contract performance challenges for Bootstrap Loan Program administrators.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

Under the Bootstrap Program, households are eligible for up to \$30,000 for the purchase of real property to construct a new home or rehabilitate an existing house. The maximum amount of combined TDHCA and other public or private funds cannot exceed \$60,000, but Bootstrap requires sweat- equity, and is a repayable loan. Organizations are encountering clients that qualify, but are favoring the HOME Owner Occupied (OCC) Housing Assistance Program because it is a grant/deferred forgivable loan, no sweat-equity is required and easier to obtain. Some clients are qualified for downpayment assistance through the HOME and Mortgage Revenue Bond Programs. However, Bootstrap is predominately administered by grassroots organizations that apply for all types of funding and in most cases do not have the capacity to administer the programs in a timely manner.

Options

Instead of Department programs competing against each other, similar housing programs should complement each other. Therefore, the Task Force would like to offer the following options:

58. Housing Trust Funds Should be Utilized for Capacity Building of Non-Profit Organizations

Pros:

- 3 Increase Administrator Capacity
- 3 Funds will be expended quickly

Cons:

- 3 Will require TDHCA Board approval

59. The Term for Bootstrap Contracts Should be Extended to Three Years

THE DISCUSSION AND OPTIONS SECTIONS OF THIS DOCUMENT DO NOT REFLECT THE VIEWS OF TDHCA OR THE TDHCA GOVERNING BOARD. THIS DOCUMENT IS A PRODUCT OF THE HOME INVESTMENT PARTNERSHIP PROGRAM ADVISORY TASK FORCE.

Pros:

- 3 Will reduce contract extensions needed to complete contracts.
- 3 Will provide more flexibility for administrators and homebuyers.

Cons:

- 3 May prove more difficult for the agency to administer and track the program.

60. The Allowed Cost Per Unit in the Bootstrap Program Should be Increased to \$80,000⁷

Pros:

- 3 Families will be able to build larger homes to fit the size of their families
- 3 Additional loan can be used to pay for material improvements and energy efficiency to reduce maintenance and energy costs.

Cons:

- 3 Increasing the maximum loan will reduce the number of families served unless funding for the program is also increased.

61. Pilot a Reservation System for the Bootstrap Program Funds. Allow an organization to submit for a client or activity to the Department when all of the information and forms are approved and ready to proceed. The amount an organization can reserve in the system will be capped.

Pros:

- 3 Funds may be expended promptly and the expenditure rate will increase
- 3 Increase the flexibility of Program

Cons:

- 3 None identified by the Task Force.

⁷ The TDHCA Board cannot make changes. This is a statute specific item – Texas Chapter 2306.754. Amount is limited to \$60,000.

- 62.** The reservation system may create concern for some agencies due to a lack of official commitment for budgetary planning, in case the funds are already expended before an agency had their family ready to go. Use HOME Downpayment Assistance Funds to complement the Bootstrap Program.

Pros:

- 3 Homeowner will have to borrow less funds
- 3 Aid in making the program more desirable
- 3 HBA funds allow “soft costs”.

Cons:

- 3 Administrator will have to administer 2 separate contracts
- 3 HOME Rules are more restrictive

Issue 11: Multifamily Housing

Background

In anticipation of the work of the HOME Investment Partnerships Program Advisory Task Force, TDHCA staff prepared an Internal Focus Group Report, identifying ten issues of consideration for the HOME program. The Report contained Background and Consideration information for each issue, leaving the Options section open for the Task Force to make recommendations. In preliminary discussion by the Task Force, subcommittees were designated to address some of these issues. The group decided that multifamily rental properties have unique concerns in the HOME program. Thus, an eleventh issue was created for the Internal Focus Group Report – Multifamily Rental – and the subcommittee set to work.

Unlike subcommittees formed to address the other issues, the Multifamily Rental subcommittee did not have the benefit of Background or Consideration information from the Internal Focus Group Report. In other words, we were given no parameters and started with a blank slate.

The HOME Investment Partnerships Program Final Rule at 24 CFR 92.1 states that the purpose of the HOME program is to "expand the supply of decent, safe, sanitary and affordable housing with primary attention to rental housing for low and very low income families" Recognizing this priority established by our federal government, our subcommittee considered recommendations that would make the HOME Program more effective for financing multifamily rental housing in Texas.

In Texas, HOME funds are used for multifamily rental projects in two different ways: (1) as a single source of financing or (2) as gap financing, in conjunction with other sources. In recent years, TDHCA has seen fewer multifamily applications for single source financing; most of the applications are for gap financing, particularly with low-income housing tax credits ("LIHTC").

In order to approach the topic of multifamily housing as a component of the HOME Investment Partnerships Program, the following areas of analysis will be examined more thoroughly including: 1) the application process 2) underwriting issues 3) the Low-Income Housing Tax Credit (LIHTC) program 4) legal documentation 5) reporting requirements and 6) funding allocation.

Task Force Discussion

NOTE: *This section of the document is a summary of the comments and discussion by the Task Force members. No statements made in this section represent the views of Department staff, nor does their inclusion indicate concurrence from Department staff.*

The Multifamily Rental subcommittee believes that HOME funds can be used more effectively to build and preserve affordable housing all across the state. The recommendations of our subcommittee are intended to: (1) simplify the process, (2) make HOME funds accessible for more developers, (3) encourage non-profits to get back into the program, (4) make the HOME program more flexible so that it is better suited to meet a variety of compelling needs, (5) use HOME funds to serve very low income tenants to the greatest extent possible, (6) build and preserve housing that serves a need but otherwise might not be built or preserved without the use of HOME funds, and (7) encourage the recycling of HOME funds when possible so that they can be leveraged for multiple developments.

Options

Application Process

The HOME application process has become so complex and expensive that many developers (particularly CHDOs) are discouraged from using the program. HOME money for multifamily rental can be used more effectively if certain changes are made to the application process.

63. The HOME application should be self-contained and easy to follow. In other words, references to the QAP should be eliminated.

Pros:

- 3 By making the HOME application more straightforward, non-profits will be encouraged to participate in the program, particularly for single-source financing transactions.

Cons:

- 3 TDHCA strives to use uniform definitions and standards across its programs. Thus, using references to the QAP promotes consistency and efficiency for staff and applicants using multiple programs. Customizing the HOME application so that it is self-contained could be burdensome for staff.

64. Use a pre-application process for the HOME rental applications when not layered with Housing Tax Credits to assist in reducing costs.

Pros:

- 3 The pre-application process has been successful in the LIHTC program. It allows applicants to spend a minimal amount up-front to submit the pre-application. Then, the applicants can make informed decisions about whether to move forward and incur additional costs for the application, based on the competitive environment.

Cons:

- 3 There seem to be no negative implications for the implementation of this recommendation. Any additional work required for staff to implement a pre-application process may be mitigated by a reduction in the number of full applications.

65. Allow applicants to have a pre-application conference with TDHCA program and underwriting staff.

Pros:

- 3 Because HOME funds are often used in unique circumstances, it is important the TDHCA staff have the "big picture", which may not always be apparent in a standard form application. HOME funds can be structured flexibly – as grants, forgivable loans, "soft" cash flow loans, and fully amortized loans. A pre-application conference may help the parties determine what financing structure is most appropriate for the project under consideration.

Cons:

- 3 Again, this is a recommendation that requires staff time, which is a precious resource.

66. HOME applications need to be available concurrently with LIHTC applications.

Pros:

- 3 Applicants wishing to combine these two sources need to be able to assess the requirements of each program concurrently.

Cons:

- 3 There seem to be no negative implications for the implementation of this recommendation. We understand that the formation of the new HOME division may have caused delays in staff production of the application documents this year and the goal is for future application rounds to be better coordinated.

67. Staff should ensure the accuracy of the application package before it is published. In recent application rounds, TDHCA has sent out changes to the application package during the application round. This is disruptive to applicants, especially to the smaller non-profits.

Pros:

- 3 If TDHCA materials are reviewed through a rigorous internal process, correction of errors in the package can be avoided, which will save time and expense for applicants.

Cons:

- 3 There are no negative implications for this recommendation.

68. For Rural Development deals, accept the environmental review required by USDA Rural Development, instead of requiring an independent environmental report.

Pros:

- 3 The RD environmental review is just as extensive, if not more extensive, than the review performed under the HOME program. Using one review to meet both criteria will save applicants money and time.

Cons:

- 3 We are not aware of any negative implications for this recommendation.

Underwriting

Projects that seek HOME funding are invariably unique. They may be small projects in rural areas where there are very low incomes and no market comparables. They may be projects financed with tax credits that are trying to deeply skew rents. They may be preservation projects where the financial viability is thin but the housing is

overwhelmingly needed. TDHCA's underwriting rules need to allow staff to "think outside the box" when necessary⁸.

- 69. TDHCA should not underwrite at the maximum affordable rents for a property unless such rents can be justified.** In many small communities, those maximum rents are not consistent with the market. And, in many smaller communities, there are insufficient comparable rents to prove up the market. Although TDHCA rules permit the underwriter to use the lower of net Program Rent, Market Rent, or Restricted Market Rent, when the market study cannot provide sufficient data, some alternative to using net Program Rent is needed. For instance, this could be using a certain percentage of the net Program Rent in applicable areas.

Pros:

- ³ This request is primarily for a flexible, common sense approach to calculating income. It is particularly helpful for rural projects.

Cons:

- ³ This request may require TDHCA to underwrite rural deals differently than their urban counterparts.

- 70. TDHCA should permit applicants to review a draft of the underwriting report before it is posted on the website.**

Pros:

- ³ In the past few years, we have seen numerous circumstances where an applicant disagrees with the underwriting report, and the matter must be settled by the Board. Sometimes, the Board tables the matter and asks the applicant and underwriting division to go back and try to work out their differences. If the applicant were permitted to see the underwriting report before it is published, there may be more opportunity to identify and work out these problems in advance, avoiding Board consideration.

Cons:

- ³ Permitting an applicant to review the underwriting report before it is posted might encourage applicants to try to negotiate their underwriting reports with staff.

⁸ **HOME Final Rule 92.250 (b)** Before committing funds to a project, the participating jurisdiction must evaluate the project in accordance with guidelines that it has adopted for this purpose and will not invest any more HOME funds, in combination with other governmental assistance, than is necessary to provide affordable housing.

71. Eliminate the infeasibility calculation in Section 1.32(i)(4) of the Real Estate Analysis Rules⁹. This calculation states that if the Year 1 annual total operating expense for a property divided by the Year 1 effective gross income for the property is greater than 65%, the project is deemed infeasible. This calculation is particularly troublesome for deeply subsidized deals.

Pros:

- ³ The majority of our subcommittee feels that the HOME program is intended to finance and subsidize housing that might not otherwise be financially feasible under other programs. This goal may not be consistent with the 65% standard. If the subsidy is sufficient for the property to continue to operate, the 65% threshold should not be applied.

Cons:

- ³ TDHCA does not want to fund projects at risk of foreclosure or other financial failure. Therefore, certain standards must be maintained to ensure the housing is not only available but viable over the long term.

72. HOME and the Low-Income Housing Tax Credit (LIHTC) Program

TDHCA should not award points to LIHTC applicants under the QAP for any allocation of HOME or CDBG money, whether it be from a local political subdivision or from TDHCA¹⁰.

Pros:

- ³ Because of this priority in the QAP, virtually all of the multifamily HOME applicants are also LIHTC applicants. The priority encourages developers to find a way to use HOME financing, even if it is not needed.
- ³ Section 2306.6710(b)(1)(E) of the Government Code was intended to prioritize developments that have actually received money from local political subdivisions, not federal money administered by local political subdivisions.

⁹ **CPD 98-01 V. Project Evaluation** In performing this evaluation, the PJ should consider the aggregate amount of assistance from HUD and from other sources that is necessary to ensure the feasibility of the assisted project.

¹⁰ Texas Chapter 2306.6725 (a)(3) Scoring of Applications: Consistent with sound underwriting practices and when economically feasible, serve individuals and families of extremely low income by leveraging private and state and federal resources, including HOPE VI grants received through the United States Department of Housing and Urban Development.

Cons:

- 3 Few local political subdivisions have money available for affordable housing, outside of the standard federal programs. Implementing this recommendation would unfairly disadvantage applicants working in communities that do not have funds available by de-prioritizing HOME-LIHTC applications, decreasing their competitiveness for a tax credit award.

Documentation

73. Legal documentation for HOME funds needs to be consistent with the transaction. For instance, documents with construction loan draw procedures should not be used when the HOME money is being funded after construction and used as a permanent loan. If HOME funds are going to be used most effectively for multifamily rental, the terms of financing need to be flexible. That means the legal documents should be flexible, too.

Pros:

- 3 Implementing this recommendation would reduce an owner's time and expense for negotiating a HOME loan.

Cons:

- 3 "One-size-fits-all" documents can be helpful in the asset management process. Customized documents can make asset management more cumbersome. However, it is possible to accommodate both needs by using exhibits to the documents with boxes to check, similar to those in the LIHTC LURA.

74. HOME recipients should not be required to use a particular title company. Rather, TDHCA should create a list of guidelines for the title company and the recipient should be able to select any title company that can comply with TDHCA's guidelines.

Pros:

- 3 Developers have long-standing relationships with title companies and often get the best service through those relationships. Local title companies are often best-suited to address unique local issues. When HOME funds are used as gap financing, a developer should not be required to work with two different title companies, just to accommodate TDHCA's preference.

Cons:

- 3 Use of the same title company may ease closing administration for TDHCA staff.

75. Reporting

Ensure that TDHCA reporting and data collection reflects the actual incomes of the tenants in the units, not just the set-aside for the unit. Owners are concerned that the annual reports do not adequately permit them to show the income levels of the tenants they are serving. In some cases, they have been advised to show tenant incomes at the set-aside level rather than the actual level when completing their reports. Moreover, when our subcommittee asked TDHCA for data as to the incomes of the tenants being served, we discovered that it was not particularly easy to accumulate. This data is very important in that it quantifies how HOME funds benefit lower income Texans.

Pros:

- 3 Data about the tenant populations being served is important in many contexts and needs to be easily accessible by TDHCA staff and the public.

Cons:

- 3 It appears that additional staff resources and/or software resources may need to be employed to establish this historic information in the database and ensure that it is collected and recorded going forward.

Fund Allocation

- 76. Eliminate the requirement that at least 10% of the development costs be funded with non-HOME funds for single-source projects¹¹.

Pros:

- 3 For projects in smaller, rural communities and those sponsored by non-profits, this requirement is burdensome and discourages applicants from using the program. Other sources of financing can be difficult to find and, if found, can be difficult to coordinate.

¹¹ **HOME Final Rule 92.1 Overview:** In general, under the HOME Investment Partnerships Program, HUD allocates funds by formula among eligible state and local government to strengthen public-private partnerships. Generally, HOME funds must be matched by nonfederal resources.

Cons:

- 3 The federal HOME rules encourage public-private partnerships and use of matching funds.

Appendix A

HUD SNAPSHOTS FOR 2003-2007

THE DISCUSSION AND OPTIONS SECTIONS OF THIS DOCUMENT DO NOT REFLECT THE VIEWS OF TDHCA OR THE TDHCA GOVERNING BOARD. THIS DOCUMENT IS A PRODUCT OF THE HOME INVESTMENT PARTNERSHIP PROGRAM ADVISORY TASK FORCE.

**HOME Program Performance SNAPSHOT--As of 9/30/03
State Participating Jurisdictions**



Participating Jurisdiction (PJ):

PJ's Total HOME Allocation Received:

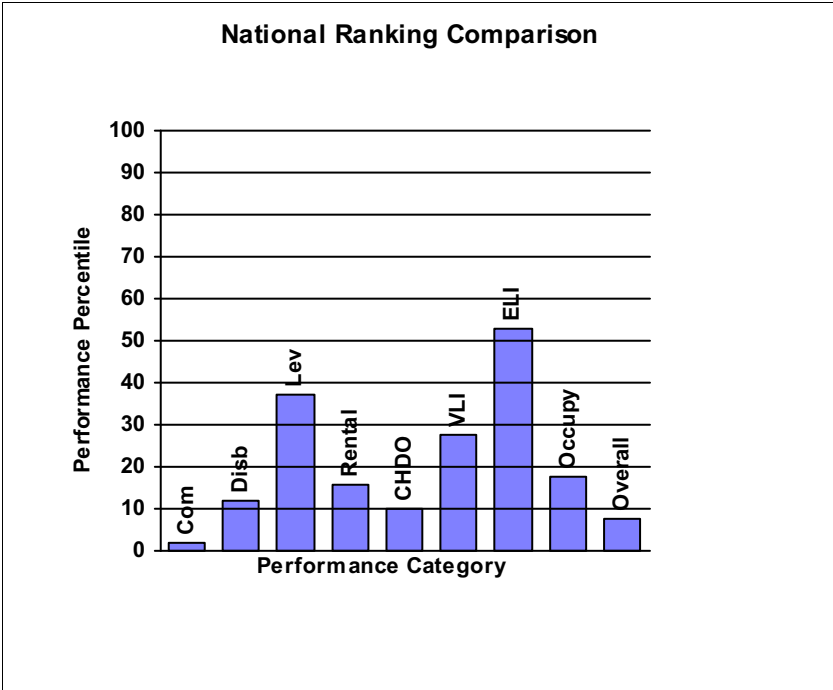
PJ Since (FY):

| Category | PJ | National Average | National Rank* |
|---|---------------------------------------|---------------------------------------|---|
| <u>Program Progress:</u> | | | |
| % of Funds Committed | <input type="text" value="81.4"/> % | <input type="text" value="91.75"/> % | <input type="text" value="50"/> |
| % of Funds Disbursed | <input type="text" value="74.46"/> % | <input type="text" value="81.22"/> % | <input type="text" value="45"/> |
| Leveraging Ratio for Rental Activities | <input type="text" value="2.27"/> | <input type="text" value="2.82"/> | <input type="text" value="32"/> |
| % of Completed Rental Disbursements to All Rental Commitments** | <input type="text" value="41.81"/> % | <input type="text" value="63.33"/> % | <input type="text" value="43"/> |
| % of Completed CHDO Disbursements to All CHDO Reservations** | <input type="text" value="34.25"/> % | <input type="text" value="59.35"/> % | <input type="text" value="46"/> |
| <u>Low-Income Benefit:</u> | | | |
| % of 0-50% AMI Renters to All Renters | <input type="text" value="66.21"/> % | <input type="text" value="73.42"/> % | <input type="text" value="37"/> |
| % of 0-30% AMI Renters to All Renters** | <input type="text" value="38.29"/> % | <input type="text" value="33.64"/> % | <input type="text" value="24"/> |
| <u>Lease-Up:</u> | | | |
| % of Occupied Rental Units to All Completed Rental Units** | <input type="text" value="76.63"/> % | <input type="text" value="91.91"/> % | <input type="text" value="42"/> |
| <u>Overall Ranking:</u> | | | <input type="text" value="47"/> / 51 PJs |
| <u>HOME Cost Per Unit and Number of Completed Units:</u> | | | |
| Rental Unit | <input type="text" value="\$21,906"/> | <input type="text" value="\$22,031"/> | <input type="text" value="1,622"/> Units <input type="text" value="9.4"/> % |
| Homebuyer Unit | <input type="text" value="\$6,158"/> | <input type="text" value="\$10,276"/> | <input type="text" value="7,626"/> Units <input type="text" value="44"/> % |
| Homeowner-Rehab Unit | <input type="text" value="\$19,979"/> | <input type="text" value="\$16,096"/> | <input type="text" value="4,735"/> Units <input type="text" value="27"/> % |
| TBRA Unit | <input type="text" value="\$4,296"/> | <input type="text" value="\$2,850"/> | <input type="text" value="3,296"/> Units <input type="text" value="19"/> % |

* - The National Rank compares the 51 state HOME PJs within the nation, including Puerto Rico but, excluding Washington DC and Insular Areas. A rank of 1 is the highest; a rank of 51 is the lowest.

** - This category is double-weighted in the National Overall Ranking.

Graphic Representation of National Ranking Comparison



The graph above is a visual representation of the state PJ's national rank in each performance category. The performance percentile indicates the extent to which the PJ's performance exceeds other state PJs' for that category. For example, a PJ with a performance percentile of 70% for commitments exceeds the performance of 70% of the 51 state PJs in the nation.



**SNAPSHOT of HOME Program Performance--As of 9/30/04
State Participating Jurisdictions**



Participating Jurisdiction (PJ):

PJ's Total HOME Allocation Received:

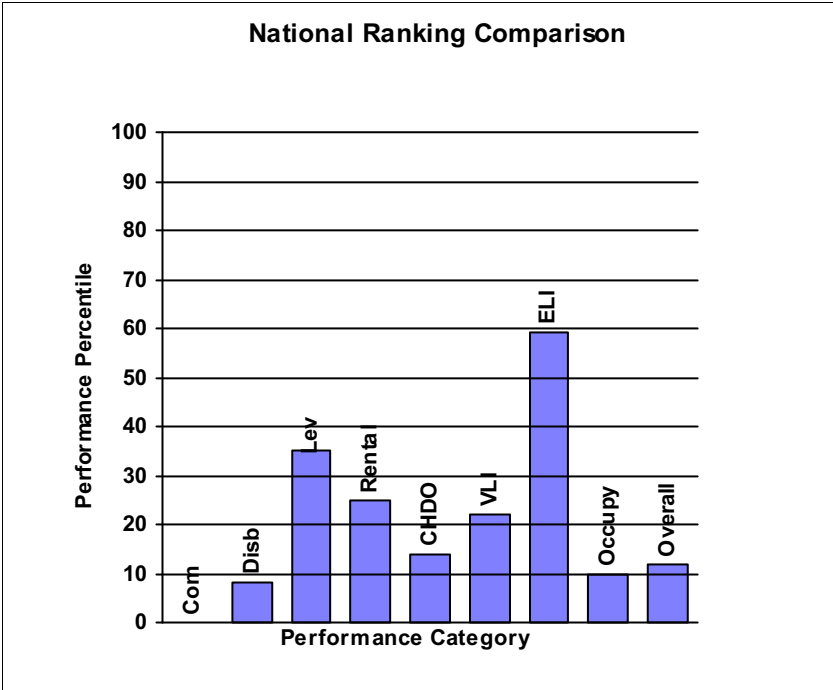
PJ Since (FY):

| <u>Category</u> | <u>PJ</u> | <u>National Average</u> | <u>National Rank*</u> |
|---|---------------------------------------|---------------------------------------|--|
| <u>Program Progress:</u> | | | |
| % of Funds Committed | <input type="text" value="78.63"/> % | <input type="text" value="92.23"/> % | <input type="text" value="51"/> |
| % of Funds Disbursed | <input type="text" value="72.32"/> % | <input type="text" value="82.31"/> % | <input type="text" value="47"/> |
| Leveraging Ratio for Rental Activities | <input type="text" value="2.17"/> | <input type="text" value="2.92"/> | <input type="text" value="33"/> |
| % of Completed Rental Disbursements to All Rental Commitments** | <input type="text" value="50.98"/> % | <input type="text" value="64.07"/> % | <input type="text" value="38"/> |
| % of Completed CHDO Disbursements to All CHDO Reservations** | <input type="text" value="38.74"/> % | <input type="text" value="61.26"/> % | <input type="text" value="44"/> |
| <u>Low-Income Benefit:</u> | | | |
| % of 0-50% AMI Renters to All Renters | <input type="text" value="64.21"/> % | <input type="text" value="74.04"/> % | <input type="text" value="40"/> |
| % of 0-30% AMI Renters to All Renters** | <input type="text" value="40.03"/> % | <input type="text" value="34.15"/> % | <input type="text" value="21"/> |
| <u>Lease-Up:</u> | | | |
| % of Occupied Rental Units to All Completed Rental Units** | <input type="text" value="73.16"/> % | <input type="text" value="92.5"/> % | <input type="text" value="46"/> |
| <u>Overall Ranking:</u> | | | <input type="text" value="45"/> / 51 PJs |
| <u>HOME Cost Per Unit and Number of Completed Units:</u> | | | |
| Rental Unit | <input type="text" value="\$19,386"/> | <input type="text" value="\$22,868"/> | <input type="text" value="2,291"/> Units <input type="text" value="11.8"/> % |
| Homebuyer Unit | <input type="text" value="\$6,424"/> | <input type="text" value="\$10,592"/> | <input type="text" value="8,054"/> Units <input type="text" value="41.7"/> % |
| Homeowner-Rehab Unit | <input type="text" value="\$21,637"/> | <input type="text" value="\$16,726"/> | <input type="text" value="5,068"/> Units <input type="text" value="26.2"/> % |
| TBRA Unit | <input type="text" value="\$4,498"/> | <input type="text" value="\$2,949"/> | <input type="text" value="3,924"/> Units <input type="text" value="20.3"/> % |

* - The National Rank compares the 51 state HOME PJs within the nation, including Puerto Rico but, excluding Washington DC and Insular Areas. A rank of 1 is the highest; a rank of 51 is the lowest.

** - This category is double-weighted in the National Overall Ranking.

Graphic Representation of National Ranking Comparison



The graph above is a visual representation of the state PJ's national rank in each performance category. The performance percentile indicates the extent to which the PJ's performance exceeds other state PJs' for that category. For example, a PJ with a performance percentile of 70% for commitments exceeds the performance of 70% of the 51 state PJs in the nation.



**SNAPSHOT of HOME Program Performance--As of 09/30/05
State Participating Jurisdictions**



Participating Jurisdiction (PJ):

PJ's Total HOME Allocation Received:

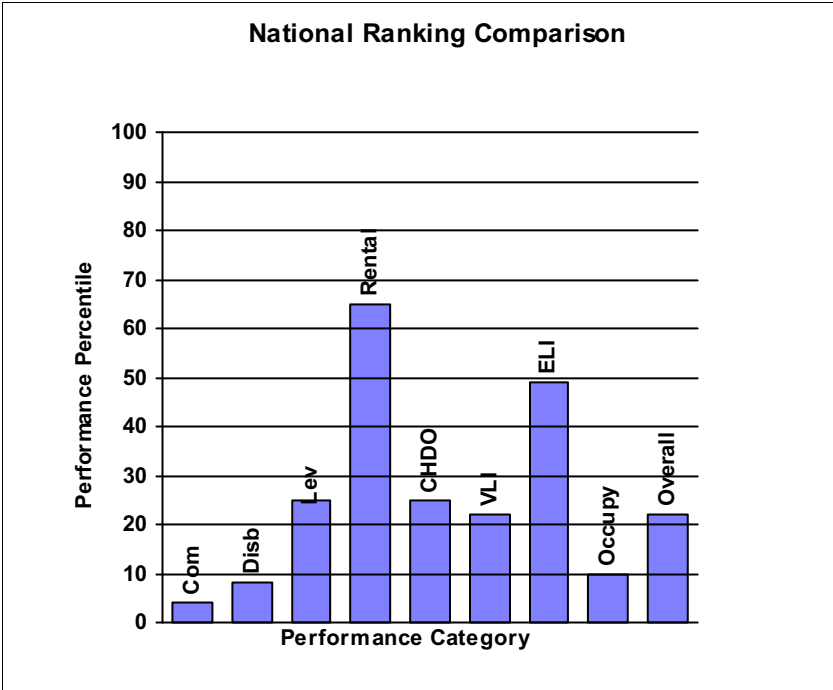
PJ Since (FY):

| Category | PJ | National Average | National Rank* |
|---|---------------------------------------|---------------------------------------|--|
| <u>Program Progress:</u> | | | |
| % of Funds Committed | <input type="text" value="82.74"/> % | <input type="text" value="93.6"/> % | <input type="text" value="49"/> |
| % of Funds Disbursed | <input type="text" value="74.43"/> % | <input type="text" value="83.53"/> % | <input type="text" value="47"/> |
| Leveraging Ratio for Rental Activities | <input type="text" value="1.9"/> | <input type="text" value="3.1"/> | <input type="text" value="38"/> |
| % of Completed Rental Disbursements to All Rental Commitments** | <input type="text" value="80.15"/> % | <input type="text" value="69.5"/> % | <input type="text" value="18"/> |
| % of Completed CHDO Disbursements to All CHDO Reservations** | <input type="text" value="56.77"/> % | <input type="text" value="64.95"/> % | <input type="text" value="38"/> |
| <u>Low-Income Benefit:</u> | | | |
| % of 0-50% AMI Renters to All Renters | <input type="text" value="66.51"/> % | <input type="text" value="75.07"/> % | <input type="text" value="40"/> |
| % of 0-30% AMI Renters to All Renters** | <input type="text" value="38.68"/> % | <input type="text" value="34.79"/> % | <input type="text" value="26"/> |
| <u>Lease-Up:</u> | | | |
| % of Occupied Rental Units to All Completed Rental Units** | <input type="text" value="80.05"/> % | <input type="text" value="93.37"/> % | <input type="text" value="46"/> |
| <u>Overall Ranking:</u> | | | <input type="text" value="40"/> / 51 PJs |
| <u>HOME Cost Per Unit and Number of Completed Units:</u> | | | |
| Rental Unit | <input type="text" value="\$22,743"/> | <input type="text" value="\$24,007"/> | <input type="text" value="3,413"/> Units <input type="text" value="15.5"/> % |
| Homebuyer Unit | <input type="text" value="\$6,476"/> | <input type="text" value="\$10,996"/> | <input type="text" value="8,362"/> Units <input type="text" value="38"/> % |
| Homeowner-Rehab Unit | <input type="text" value="\$24,507"/> | <input type="text" value="\$17,697"/> | <input type="text" value="5,605"/> Units <input type="text" value="25.5"/> % |
| TBRA Unit | <input type="text" value="\$4,506"/> | <input type="text" value="\$2,814"/> | <input type="text" value="4,626"/> Units <input type="text" value="21"/> % |

* - The National Rank compares the 51 state HOME PJs within the nation, including Puerto Rico but, excluding Washington DC and Insular Areas. A rank of 1 is the highest; a rank of 51 is the lowest.

** - This category is double-weighted in the National Overall Ranking.

Graphic Representation of National Ranking Comparison



The graph above is a visual representation of the state PJ's national rank in each performance category. The performance percentile indicates the extent to which the PJ's performance exceeds other state PJs' for that category. For example, a PJ with a performance percentile of 70% for commitments exceeds the performance of 70% of the 51 state PJs in the nation.



**SNAPSHOT of HOME Program Performance--As of 09/30/06
State Participating Jurisdictions**



Participating Jurisdiction (PJ):

PJ's Total HOME Allocation Received:

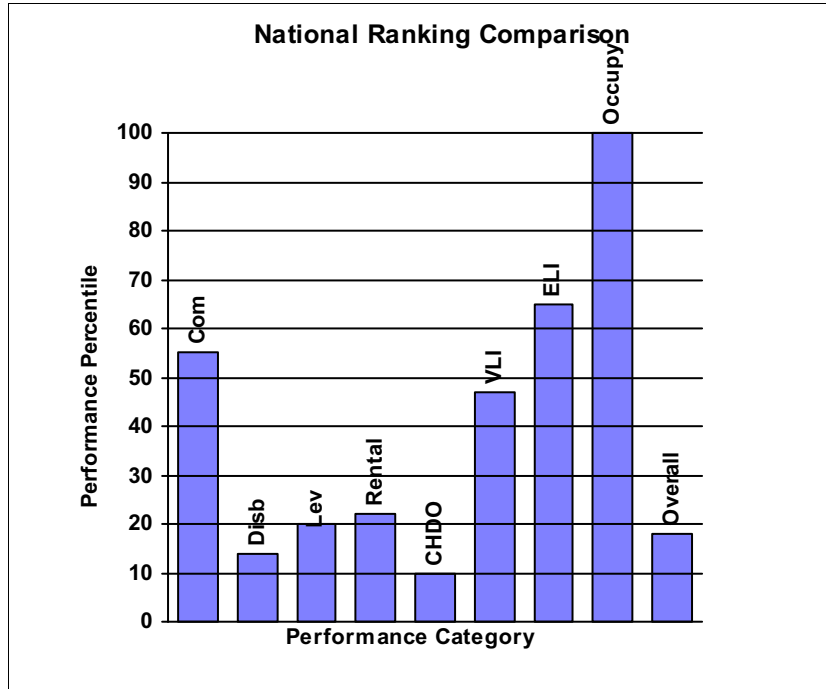
PJ Since (FY):

| Category | PJ | National Average | National Rank* |
|---|---------------------------------------|---------------------------------------|--|
| <u>Program Progress:</u> | | | |
| % of Funds Committed | <input type="text" value="94.19"/> % | <input type="text" value="91.96"/> % | <input type="text" value="23"/> |
| % of Funds Disbursed | <input type="text" value="75.56"/> % | <input type="text" value="82"/> % | <input type="text" value="44"/> |
| Leveraging Ratio for Rental Activities | <input type="text" value="1.78"/> | <input type="text" value="3.23"/> | <input type="text" value="41"/> |
| % of Completed Rental Disbursements to All Rental Commitments** | <input type="text" value="87.19"/> % | <input type="text" value="90.02"/> % | <input type="text" value="40"/> |
| % of Completed CHDO Disbursements to All CHDO Reservations** | <input type="text" value="53.98"/> % | <input type="text" value="72.7"/> % | <input type="text" value="46"/> |
| <u>Low-Income Benefit:</u> | | | |
| % of 0-50% AMI Renters to All Renters | <input type="text" value="79.88"/> % | <input type="text" value="76.73"/> % | <input type="text" value="27"/> |
| % of 0-30% AMI Renters to All Renters** | <input type="text" value="45.5"/> % | <input type="text" value="36.45"/> % | <input type="text" value="18"/> |
| <u>Lease-Up:</u> | | | |
| % of Occupied Rental Units to All Completed Rental Units** | <input type="text" value="100"/> % | <input type="text" value="95.32"/> % | <input type="text" value="1"/> |
| <u>Overall Ranking:</u> | | | <input type="text" value="42"/> / 51 PJs |
| <u>HOME Cost Per Unit and Number of Completed Units:</u> | | | |
| Rental Unit | <input type="text" value="\$23,960"/> | <input type="text" value="\$24,723"/> | <input type="text" value="3,275"/> Units <input type="text" value="13.8"/> % |
| Homebuyer Unit | <input type="text" value="\$6,696"/> | <input type="text" value="\$11,888"/> | <input type="text" value="8,818"/> Units <input type="text" value="37.1"/> % |
| Homeowner-Rehab Unit | <input type="text" value="\$27,291"/> | <input type="text" value="\$18,592"/> | <input type="text" value="6,307"/> Units <input type="text" value="26.5"/> % |
| TBRA Unit | <input type="text" value="\$4,566"/> | <input type="text" value="\$2,733"/> | <input type="text" value="5,358"/> Units <input type="text" value="22.6"/> % |

* - The National Rank compares the 51 state HOME PJs within the nation, including Puerto Rico but, excluding Washington DC and Insular Areas. A rank of 1 is the highest; a rank of 51 is the lowest.

** - This category is double-weighted in the National Overall Ranking.

Graphic Representation of National Ranking Comparison



The graph above is a visual representation of the state PJ's national rank in each performance category. The performance percentile indicates the extent to which the PJ's performance exceeds other state PJs' for that category. For example, a PJ with a performance percentile of 70% for commitments exceeds the performance of 70% of the 51 state PJs in the nation.



**SNAPSHOT of HOME Program Performance--As of 03/31/07
State Participating Jurisdictions**



Participating Jurisdiction (PJ):

PJ's Total HOME Allocation Received:

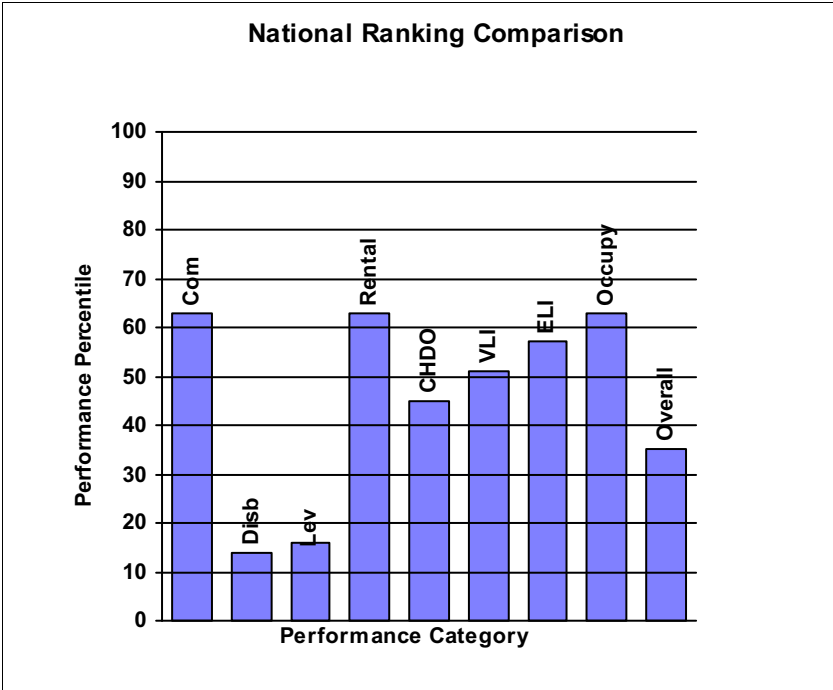
PJ Since (FY):

| Category | PJ | National Average | National Rank* |
|---|---------------------------------------|---------------------------------------|--|
| <u>Program Progress:</u> | | | |
| % of Funds Committed | <input type="text" value="93.05"/> % | <input type="text" value="89.91"/> % | <input type="text" value="19"/> |
| % of Funds Disbursed | <input type="text" value="74.54"/> % | <input type="text" value="80.86"/> % | <input type="text" value="44"/> |
| Leveraging Ratio for Rental Activities | <input type="text" value="1.59"/> | <input type="text" value="3.68"/> | <input type="text" value="43"/> |
| % of Completed Rental Disbursements to All Rental Commitments** | <input type="text" value="97.22"/> % | <input type="text" value="91.55"/> % | <input type="text" value="19"/> |
| % of Completed CHDO Disbursements to All CHDO Reservations** | <input type="text" value="76.5"/> % | <input type="text" value="75.35"/> % | <input type="text" value="28"/> |
| <u>Low-Income Benefit:</u> | | | |
| % of 0-50% AMI Renters to All Renters | <input type="text" value="81.12"/> % | <input type="text" value="77.05"/> % | <input type="text" value="25"/> |
| % of 0-30% AMI Renters to All Renters** | <input type="text" value="41.92"/> % | <input type="text" value="36.39"/> % | <input type="text" value="22"/> |
| <u>Lease-Up:</u> | | | |
| % of Occupied Rental Units to All Completed Rental Units** | <input type="text" value="98.54"/> % | <input type="text" value="95.72"/> % | <input type="text" value="19"/> |
| <u>Overall Ranking:</u> | | | <input type="text" value="33"/> / 51 PJs |
| <u>HOME Cost Per Unit and Number of Completed Units:</u> | | | |
| Rental Unit | <input type="text" value="\$23,578"/> | <input type="text" value="\$25,106"/> | <input type="text" value="4,105"/> Units <input type="text" value="16.1"/> % |
| Homebuyer Unit | <input type="text" value="\$6,794"/> | <input type="text" value="\$12,215"/> | <input type="text" value="9,104"/> Units <input type="text" value="35.7"/> % |
| Homeowner-Rehab Unit | <input type="text" value="\$28,080"/> | <input type="text" value="\$18,906"/> | <input type="text" value="6,679"/> Units <input type="text" value="26.2"/> % |
| TBRA Unit | <input type="text" value="\$4,650"/> | <input type="text" value="\$2,802"/> | <input type="text" value="5,605"/> Units <input type="text" value="22"/> % |

* - The National Rank compares the 51 state HOME PJs within the nation, including Puerto Rico but, excluding Washington DC and Insular Areas. A rank of 1 is the highest; a rank of 51 is the lowest.

** - This category is double-weighted in the National Overall Ranking.

Graphic Representation of National Ranking Comparison



The graph above is a visual representation of the state PJ's national rank in each performance category. The performance percentile indicates the extent to which the PJ's performance exceeds other state PJs' for that category. For example, a PJ with a performance percentile of 70% for commitments exceeds the performance of 70% of the 51 state PJs in the nation.



Explanation of Performance Categories

-State PJs



| | |
|---|---|
| % of Funds Committed (Com) | = Cumulative total to date of commitments to activities, including administrative and CHDO operating expenses, and program income attached to draws / Cumulative total of all grant allocations through 2005 (original allocations minus any deobligations). |
| % of Funds Disbursed (Disb) | = Cumulative total to date of net disbursements to activities, including administrative and CHDO operating expenses, and program income attached to draws / Cumulative total of all grant allocations through 2005 (original allocations minus any deobligations). |
| Leveraging Ratio (Lev) | = For rental activities only where the activity status code has been changed to “2” – Completed. All HOME funds including program income / Total public, total private, and Low Income Tax Credit Syndication Proceed funds. In order to be able to make comparisons among PJs and rank them accordingly, the leveraging ratio has been converted to a percentage. For the purposes of this report, a leveraging ratio of 4 to 1 is considered indicative of significant leveraging. Therefore, any PJ with a leveraging ratio of 4 to 1 and greater will receive a designation of 100% (a ranking of #1). Any PJ with a leveraging ratio of less than 4 to 1 will receive a lower score. For example, a PJ with a leveraging ratio of 2 to 1 (half of 4 to 1) will receive a designation of 50%. |
| % of Completed Rental Disbursements to All Rental Commitments (Rental) | = Cumulative total of disbursements on completed (where the activity status code has been changed to “2” – Completed) rental activities / Cumulative total of commitments on all rental activities. |
| % of Completed CHDO Disbursements to All CHDO Reservations (CHDO) | = Cumulative total of disbursements on completed (where the activity status code has been changed to “2” – Completed) CHDO activities / Cumulative total of CHDO reservations. |
| % of 0 – 50% AMI Renters to All Renters (VLI – Very Low Income) | = For activities where the activity status code has been changed to “2” – Completed. Number of tenants whose income is 0 – 50% of area median income / Total number of tenants in occupied rental units. |
| % of 0 – 30% AMI Renters to All Renters (ELI – Extremely Low Income) | = For activities where the activity status code has been changed to “2” - Completed. Number of tenants whose income is 0 – 30% of area median income / Total number of tenants in occupied rental units. |
| % of Occupied Rental Units to All Completed Rental Units (Occupy) | = For activities where the status has been changed to “2” - Completed. Number of tenant-occupied (not vacant) HOME-assisted rental units / Total number of completed HOME-assisted rental units. |
| National Rank | = The National Rank compares the 51 state PJs within the nation, including Puerto Rico, but excluding Washington DC and Insular Areas. A rank of 1 is the highest; a rank of 51 is the lowest. |
| Overall Ranking | = The Overall Ranking compares the sum of a state PJ’s percentages, for all categories, to that of other state PJs. See above for determining leveraging percentage. |

EXECUTIVE OFFICE – BOARD

BOARD ACTION REQUEST

June 14, 2007

Action Item

Minutes of the Board Meeting of May 10, 2007.

Required Action

Review minutes of the May 10, 2007 Board Meeting and make any necessary corrections.

Background

The Board is required to keep minutes of each of their meetings.

Recommendation

Staff recommends approval of minutes with any requested corrections.

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

**May 10, 2007; 9:30 am
Travis Building, Room 1-111, 1701 N. Congress**

SUMMARY OF MINUTES

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

The Board Meeting of the Texas Department of Housing and Community Affairs of May 10, 2007 was called to order by Chair, Elizabeth Anderson at 9:40 a.m. It was held at the Travis Building, Room 1-111, 1701 N. Congress Austin, Texas. Roll call certified a quorum was present.

Members Present:

Elizabeth Anderson – Chair
C. Kent Conine – Vice-Chair
Shadrick Bogany – Member
Sonny Flores – Member
Gloria Ray – Member

Member Absent:

The Honorable Norberto Salinas – Member

Chair Anderson recognized the Department staff who worked on the PeopleSoft Project. Curtis Howe and David Cervantes introduced and recognized Development Team Members.

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.

Granger McDonald, TAAHP, provided testimony concerning Compliance Audits and the 504 Policy.

Doug Dowler, Executive Director, Pineywoods Home Team, provided testimony.

John Garrett, President, G&G Enterprises, provided testimony.

The Honorable Representative Richard Raymond, provided testimony concerning the City of Laredo 9% Housing Tax Credit application.

Kirk Kobert, Local Initiatives Support Group (LISC), provided testimony.

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

CONSENT AGENDA

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

AGENDA ITEM 6: (AT CHAIR'S DISCRETION, THIS ITEM WAS TAKEN OUT OF ORDER.)

Presentation, Discussion and Possible Approval of Disaster Recovery Division Items – Specifically Community Development Block Grant (CDBG) Disaster and FEMA Alternative Housing Pilot Program Application Programs:

- c) Presentation, Discussion and Possible Approval of City of Houston and Harris County Public Service and Community Development Program Plan
The Honorable Mayor Bill White, provided testimony in favor of the plan.
John Henneburger, Texas Low Income Housing Information Service, provided testimony against the plan.
 Motion made by Mr. Conine to approve plan; seconded by Mr. Bogany; passed unanimously.

AGENDA ITEM 1:

Approval of the following items presented in the Board materials:

General Administration Items:

- a) Minutes of the Board Meeting of April 12, 2007

Audit Committee Items:

- b) Presentation, discussion and possible approval of amendments to the 2007 TDHCA Internal Audit Plan
- c) Presentation and Discussion of Audit Results from KPMG's Statewide Federal Single Audit as related to TDHCA
- d) Presentation and Discussion of Internal Audit of CDBG Disaster Hurricane Recovery Program - Project/Program Plan
- e) Presentation and Discussion of Internal Audit of CDBG Disaster Hurricane Recovery Program – Control Design over Project Set-up and Draw Processing Functions
- f) Status of Prior Audit Issues
- g) Status of Internal/External Audits

Multifamily Items:

- h) Presentation, Discussion and Possible Action for Housing Tax Credit Amendments:
 04241 Anson Park II Abilene
 05118 Vista Verde I & II San Antonio
At the request of Mr. Conine, Item h) was pulled from the Consent Agenda for further discussion.
- i) Presentation, Discussion and Possible Action for Housing Tax Credit Extensions:
 05137 Los Ebanos Zapata
- j) Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit Challenges
At the request a witness, Item j) was pulled from the Consent Agenda for further discussion.

HOME Division Items:

- k) Presentation, Discussion and Possible Approval of Single Family HOME Award recommendations:
 2006-0222 City of Roma

Financial Division Items:

- l) Presentation, Discussion and Possible Approval of the 2nd Quarter Investment Report

Community Affairs Division Items:

- m) Presentation, Discussion and Possible Approval for publication in the Texas Register of rule revisions to the Emergency Shelter Grants Program (ESGP) rules to be codified at 10 Texas Administrative Code, Chapter 5, Subchapter C, §5.204(a)(1), §5.208(c), and §5.211(4)

Real Estate Analysis Division Items:

- n) Presentation, Discussion and Possible Approval of a market study surveying the need for affordable multifamily housing in the Dallas Metropolitan Statistical Area

Legal Services Division Items:

- o) Presentation, Discussion and Possible Approval for publication in the Texas Register of a final order adopting new §1.21 concerning Action by Department if Outstanding Balances Exist
 Motion made by Mr. Conine to approve the Consent Agenda, with the exception of Items h) and j); seconded by Mr. Bogany; passed unanimously.

Multifamily Items:

- h) **Presentation, Discussion and Possible Action for Housing Tax Credit Amendments:**
04241 Anson Park II Abilene
05118 Vista Verde I & II San Antonio
Motion by Mr. Conine to approve; seconded by Mr. Bogany; passed unanimously.
- j) **Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit Challenges**
Motion made by Mr. Bogany to approve; seconded by Mr. Conine; passed unanimously.

ACTION ITEMS

AGENDA ITEM 2:

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

- a) **Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit Appeals**
No appeals; no action taken.
- b) **Presentation, Discussion and Possible Action of the Reinstatement of the Housing Tax Credit Determination Notice for Mortgage Revenue Bond Transactions with Other Issuers:**
060429 Lakes of Goldshire
Antoinette Jackson, Coats & Rose, provided testimony in favor of project.
Nickie Talasek, Fort Bend Center for Independent Living, provided testimony in favor of project.
Nancy Talasek, provided testimony in favor of project.
Navdip S. Solti, Developer, provided testimony in favor of project.
Olga Fonseca, provided testimony in favor of project.
Balinda Fuentes, provided testimony in favor of project.
Gloria Hernandez, provided testimony in favor of project.
Dan Ives, provided testimony opposed to project.
The Honorable Commissioner Tom Stavinoha, Precinct 14, Fort Bend County, provided testimony opposed to project.
Byron Lee, provided testimony in favor of project.
The Honorable Mayor Joe Gurecky, provided a handout and testimony opposed to project.
Sally Gaskin, President, SGI Ventures, Inc., provided testimony in favor of the project.
Motion made by Mr. Conine to waive consistency letter requirement and approve staff recommendation; seconded by Ms. Ray; Mr. Bogany abstained; motion passed.

Board took 15 minute break.

- c) **Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits Associated with Mortgage Revenue Bond Transactions with Other Issuers:**
07413 Mansions at Hastings Green Senior, Harris County, Texas; Harris County HFC is the Issuer; Recommended Credit Amount of \$940,796
Motion made by Mr. Bogany to approve; seconded by Mr. Conine; passed unanimously.

AGENDA ITEM 3:

Presentation, Discussion and Possible Action of Multifamily Division Items – Specifically Housing Trust Fund Capacity Building

- a) **Presentation, Discussion and Possible Action for an Extension of a 2004 Capacity Building Grant #1000215 for Ability Resources Incorporated**
Motion made by Mr. Conine to approve; seconded by Mr. Bogany; passed unanimously.
- b) **Presentation, Discussion and Possible Action on an Extension Amendment to a Housing Trust Fund Predevelopment Loan for the following:**

851020007 Ralls Housing Development Corporation
851020008 Crossroads Housing Development Corporation

Motion made by Mr. Conine to approve staff recommendation to deny amendments; seconded by Ms. Ray; passed unanimously.

AGENDA ITEM 4:

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

- a) **Presentation, Discussion and Possible Denial of a waiver of the 60-day submission requirement in §49.12(a)(2) of the 2007 Qualified Allocation Plan (“QAP”)**
Hunter McKinszie, Summit Asset Management, provided testimony in favor of Summit Point Apts. Thomas Paramore, Merchant Capital, LLC, provided testimony in favor of Summit Pointe Apts. Motion by Mr. Conine to recommend the approval of the applicant's request to waive the 60-day submission in order to not have the Bond Review Board to meet specially to consider this issue; seconded by Mr. Bogany; passed unanimously.
- b) **Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds and Housing Tax Credits with TDHCA as the Issuer:**
07605 Summit Pointe, Houston, Texas for a bond Amount Not to Exceed \$12,000,000 and the Issuance of a Determination Notice Recommended Credit Amount of \$525,314. Resolution No. 07-013
Motion by Mr. Conine to approve Resolution #07-013; seconded by Mr. Bogany; passed unanimously.
07606 Santora Villas, Austin, Travis Texas for a bond Amount Not to Exceed \$13,072,000 and the Issuance of a Determination Notice Recommended Credit Amount of \$953,189. Resolution No. 07-014
Motion by Mr. Conine to approve Resolution #07-014; seconded by Ms. Ray; passed unanimously.

AGENDA ITEM 5:

Presentation, Discussion and Possible Approval of HOME Division Items:

- a) **Presentation, discussion and possible action for the 2007 HOME Preservation and Rental Development Competitive Application Cycle appeals:**
07418 Creek View Apartments Johnson City
07417 Park Ridge Apartments Llano
Mark Mayfield, provided testimony in favor of appeals.
Motion made by Mr. Conine to approve staff recommendation to deny appeals; seconded by Mr. Bogany; passed unanimously.

Short Recess taken due to emergency in the building.

- b) **Presentation, Discussion and Possible Approval of the 2007 Housing Trust Fund Funding Plan**
Motion made by Mr. Conine to amend Plan to include reserving \$100,000 for foreclosure prevention on our own portfolio; Motion made by Mr. Flores to further amend the motion by requesting continued updates on costs; seconded by Ms. Ray; passed unanimously.
- c) **Presentation, Discussion and Possible Approval of HOME Program NOFA for approximately \$5 million for Rental Housing Development Supporting New Job Creation and Economic Development in Rural Texas**
Motion made by Mr. Bogany to approve; seconded by Mr. Conine; passed unanimously.

AGENDA ITEM 6:

Presentation, Discussion and Possible Approval of Disaster Recovery Division Items – Specifically Community Development Block Grant (CDBG) Disaster and FEMA Alternative Housing Pilot Program Application Programs:

- a) **Update on Community Development Block Grant related to disaster recovery.**
Kelly Crawford, Deputy Executive Director of Disaster Relief, provided report.
The Honorable Charlie Stone, Executive Director Office Rural Community Affairs, provided report.
The Honorable John P. Dubose, County Commissioner, Orange, TX and Southeast Texas Regional Planning (SETRPC), provided testimony regarding reimbursement of funds if any left over for families that repaired homes before funding was available.
Pete De La Cruz, provided testimony.
Mr. Flores requested current updates costs. No Action Taken.
- b) **Presentation, Discussion and Possible Approval of Amendment to the State of Texas Partial Action Plan for Disaster Recovery to Use Community Development Block Grant (CDBG) Funding (Action Plan) related to the Restoration of Critical Infrastructure Program and corresponding amendment to the Restoration of Critical Infrastructure Program Notice of Funding Availability (NOFA)**
John Henneberger, TLHIS, provided testimony against amendment to NOFA.
The Honorable Charlie Stone, Executive Director Office Rural Community Affairs, provided testimony in favor of amendment to NOFA.
Motion made by Mr. Conine to postpone to the June 28 Board meeting; seconded by Mr. Flores; passed unanimously.
- c) *At Board Chair's discretion and with Board approval, this item was taken up before the Consent Agenda.*
- d) **Presentation, Discussion and Possible Approval of Request For Proposals (RFP) for a program management firm to administer the CDBG Homeowner Assistance Program (HAP) and Sabine Pass Restoration Program (SPRP)**
Motion made by Mr. Conine to approve RFP as amended with changes proposed by Chair Anderson; seconded by Mr. Flores; passed unanimously.

AGENDA ITEM 7:

Presentation, Discussion and Approval of Office of Colonia Initiatives Items:

- a) **Presentation, Discussion and Possible Approval of Webb County Colonia Self-Help Center Extension Request**
Motion made by Mr. Flores to approve staff recommendation; seconded by Mr. Conine; passed unanimously.

AGENDA ITEM 8:

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

- a) **Presentation, Discussion and Possible Approval of Requests for Amendments to HOME Investment Partnerships Program contracts**
534339 Marble Falls Development Corporation
Motion made by Mr. Conine to approve staff recommendation to allow the property to provide no more than 36 percent or eight of the units for people with disabilities; seconded by Mr. Bogany; passed unanimously.
536297 Family Crisis Center
Chair recused herself during discussion and vote of this item. Motion made by Mr. Flores to accept staff recommendation to approve the reduction of one unit; seconded by Mr. Bogany; passed unanimously.
539116 Tanglewood II, LLC

Motion made by Mr. Flores to accept staff recommendation to approve the reduction of one unit; seconded by Mr. Bogany; passed unanimously.

542004/542010 Affordable Housing of Parker County

Motion made by Mr. Conine to approve staff recommendation that the expired contract be deobligated, and if the unexpired contract cannot be fulfilled as agreed and is not voluntarily returned, that it be terminated and the funds for it be deobligated; seconded by Mr. Bogany; passed unanimously.

1000453 Affordable Housing of Parker County

Motion made by Mr. Conine to approve staff recommendation to deny request; seconded by Mr. Bogany; passed unanimously.

1000156 Val Verde County

David Martinez provided testimony.

The Honorable Ramiro Ramón, County Commissioner, Precinct 1, County of Val Verde, provided testimony.

Jesse Paul Sánchez, provided testimony.

Robert Chavira, SMi Consulting, provided testimony.

Motion made by Mr. Conine to approve staff recommendation to deny request; seconded by Mr. Bogany. Mr. Conine withdrew his motion. Motion made by Mr. Conine to approve \$180,000 to finish the three houses that have been demolished with County not receiving administration funds, and to include an extension of time until December 31, 2007 with a requirement that the Department receive monthly reports; seconded by Mr. Flores; passed unanimously.

1000371 United Cerebral Palsy

Jonas Schwartz, President, United Cerebral Palsy (UCP) of Texas, provided testimony.

Jean Langendorf, Executive Director, UCP of Texas, provided testimony.

Motion made by Mr. Bogany to approve staff recommendation to deny request; seconded by Mr. Conine; passed unanimously.

1000533 Travis County Housing Finance Corporation

Motion made by Ms. Ray to approve staff recommendation; seconded by Mr. Bogany; passed unanimously.

AGENDA ITEM 9:

Presentation, Discussion and Possible Approval of Real Estate Analysis Items:

- a) **Presentation, discussion and possible action on a timely filed appeal regarding the underwriting of a development under the HOME program, development Floresville Senior Housing in Floresville, TX**

Mike Harms, Executive Director, Center for Housing & Economic Development Opportunities, Corp., provided testimony in favor of appeal.

Michael Gilbert, V.P. Floresville Apt. Venture, LP, provided testimony opposed to appeal.

Jesse Pérez, Floresville Economic Development Corp., provided testimony in favor of appeal.

Motion made by Mr. Conine to approve staff recommendation to deny appeal; seconded by Mr. Bogany; passed unanimously.

AGENDA ITEM 10:

Presentation, Discussion and Possible Approval of Legal Division Items:

- a) **Presentation, Discussion and Possible Approval of list of factors that Review Committee will consider in assessing compliance penalties under 10 TAC §1.20**

Motion made by Mr. Flores to approve; seconded by Mr. Bogany; passed unanimously.

- b) **Presentation, Discussion, and Possible Approval for publication in the Texas Register of draft proposed amendments to 10 TAC §60.17, concerning Utility Allowances**

Motion made by Mr. Conine to approve; seconded by Mr. Bogany; passed unanimously.

AGENDA ITEM 11:

Presentation, Discussion and Possible Approval of Internal Audit Division Items:

- a) **Notification and Acceptance of resignation of Internal Auditor due to retirement and appointment of an interim director**

Motion by Mr. Bogany to accept resignation and to approve recommendation to appoint Mr. Gregory Magness as Interim Internal Audit Director; seconded by Mr. Conine; passed unanimously.

- b) **Presentation, Discussion and Possible Approval of Director of Internal Audit job description and posting of position**

Motion made by Mr. Conine to approve; seconded by Mr. Flores; passed unanimously.

EXECUTIVE SESSION

Executive Session not held.

- a) The Board may go into Executive Session (close its meeting to the public) on any agenda item if appropriate and authorized by the Open Meetings Act, Texas Government Code, Chapter 551
- b) The Board may go into Executive Session Pursuant to Texas Government Code §551.074 for the purposes of discussing personnel matters including to deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer or employee
1. Performance Evaluation for Internal Auditor
- c) Consultation with Attorney Pursuant to §551.071(a), Texas Government Code:
1. *With Respect to pending litigation styled Dever v. TDHCA Filed in Federal Court*
 2. *With Respect to pending litigation styled Ballard v. TDHCA Filed in Federal Court*
 3. *With Respect to Any Other Pending Litigation Filed Since the Last Board Meeting*

REPORT ITEMS

Executive Director's Report by Mr. Gerber.

1. TDHCA Outreach Activities, April 2007
2. Monthly Report on HOME Amendments Granted
3. Update on HOME Snapshot
4. Quarterly HTC Ownership Transfers
5. Construction Cost Research by Real Estate Analysis Division
6. Bond Finance Subprime Analysis

No action taken.

ADJOURN

Since there was no other business to come before the Board, the meeting was adjourned at 2:56 p.m.

Mr. Kevin Hamby
Board Secretary

NOTE:

For a full transcript of this meeting, please see the TDHCA website at: www.TDHCA.state.tx.us

LEGAL SERVICES DIVISION

BOARD ACTION REQUEST

June 14, 2007

Action Item

Presentation, Discussion and Possible Action of Request for Proposals for Bond Counsel.

Requested Action

Approve for publication in the Texas Register a notice for Bond Counsel proposals.

Background and Recommendations

State law requires that professional contracts be bid to provide the state with the best value of representation. The law allows for a one year agreement, plus a one year extension. Current Outside Bond Counsel Vinson and Elkins, L.L.P. will reach the end of the current contract in August of 2007. The contract may not be renewed at this time. Vinson and Elkins is eligible to be selected again as the best responder under the new RFP.

Staff proposes a similar RFP to the one used two years ago. In an attempt to encourage broad participation and multiple applicant proposals, the RFP allows flexibility in the qualifications. The Department will create a review committee made up of the General Counsel, The Director of Multi Family Production and the Director of Bond Finance and others appointed by the Executive Director to review and rank proposals prior to submitting for award by the Board.

The Office of the Attorney General will need to approve the final selection of outside bond counsel.

Staff Recommendation: Staff recommends that the Board approve the RFP for Bond Counsel for publication in the Texas Register.

REQUEST FOR PROPOSALS

FOR

BOND COUNSEL

I. BACKGROUND ON THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

A. PURPOSE

The Texas Department of Housing and Community Affairs (“TDHCA”), is a public and official governmental agency of the state, pursuant to Chapter 2306, Texas Government Code (the “Act”). One purpose of TDHCA is to provide for the housing needs of individuals and families of low, very low, and extremely low income and families of moderate income. Pursuant to the Act, TDHCA may issue bonds, notes or other obligations to finance or refinance residential housing and multi-family developments and to refund bonds previously issued by the Texas Housing Agency, TDHCA, or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of TDHCA.

B. ORGANIZATION

TDHCA is governed by an executive director employed by a seven-member board. The members of the board are appointed by the Governor upon the advice and consent of the Texas Senate for staggered six-year terms, with the terms of two or three members expiring on January 31 of each odd-numbered year. The board is responsible for authorizing the allocation of bonds by TDHCA and all other acts in connection therewith specified in the Act. The executive director is responsible for the overall administration of TDHCA and its programs and for employing its staff.

C. BOND PROGRAMS.

Single Family Housing Bond Program. TDHCA has established a Single Family Mortgage Revenue Bond Program pursuant to the Act for the purpose of assisting in financing the costs of acquisition of residences within the State of Texas by eligible borrowers. The program offers interest rates below conventional market rates through the sale of tax-exempt mortgage revenue bonds. The guidelines adopted by TDHCA from time to time in connection with the program establish the eligibility of lenders to participate in the program, time limitations with respect to commitments for and originations of mortgage loans, the types of mortgage loans eligible for purchase by the servicer, the eligibility of mortgagors, the requirements for dwellings which secure mortgage loans, the fees which a mortgage lender may charge to originate a mortgage loan, the fees which a lending institution may charge for servicing a mortgage loan, as well as other aspects of the program.

Multi-Family Bond Program. The Multi-Family Bond Program finances below market loans to non-profit and for-profit developers of apartment projects serving moderate income persons and families that agree to set aside at least 20% of a project's unit for rental to very low and low income persons and families. In addition, at least 5% must be rented to persons with special needs. TDHCA funds the loans through the sale of tax-exempt and taxable mortgage revenue bonds.

II. SCOPE OF SERVICES.

A. NATURE OF SERVICES REQUIRED.

TDHCA anticipates the need for legal services in connection with the issuance of bonds at any time and from time to time during the term of the contract at the request of TDHCA. Bond Counsel is expected to assign those attorneys and professionals employed by the firm who are best suited to appropriately respond to such requests in connection with the issuance of bonds and with ongoing compliance of any/all trust indentures. The firm will provide any such services as Bond Counsel, unless otherwise instructed by TDHCA.

B. TERMS OF AGREEMENT

Subject to the approval of bond counsel by the governing board of the TDHCA, and negotiation of an acceptable contract by TDHCA and such outside counsel, TDHCA will execute an agreement with bond counsel for at least a one year term with optional extensions as required based on performance and on such other terms and conditions as may be acceptable to the parties subject to required approval of the Attorney General of Texas. Any such agreement shall provide that TDHCA will retain the right to terminate the contract for any reason and at any time upon the payment of fees and expenses then due and payable.

III. RFP INSTRUCTIONS

A. PROPOSAL FORM AND FORMAT

Four (4) copies of the proposal are requested and should be sent by registered mail or delivered in person to the attention of Mr. Kevin Hamby, General Counsel, Texas Department of Housing and Community Affairs, 507 Sabine St., Suite 900, Austin, Texas 78701, no later than the deadline for submission of proposals specified below. The proposals must include each question or request for information, as specified herein, followed by the narrative answer in the standard format for interrogatories, limited to one side of a single 8 1/2" x 11" page. Supplemental information (such as firm brochure, annual reports or background material), if any, must be restricted to Appendices following the responses. The pages of the proposal should be numbered sequentially with the name of the firm on each page. The proposal should be submitted in a loose-leaf binder.

B. DEADLINE FOR SUBMISSION

The deadline for submission in response to the Request for Proposals is 4:00 p.m., Central Daylight Saving Time, on ~~{DATE}~~. No proposal will be accepted after the deadline.

C. GENERAL INFORMATION

TDHCA reserves the right to accept or reject any (or all) proposals submitted. The information contained in this proposal request is intended to serve only as a general description of the services desired by TDHCA, and TDHCA intends to use responses as a basis for further negotiation of specific project details with offerors. This request does not commit TDHCA to pay for any costs incurred prior to the execution of a contract and is subject to availability of funds. Issuance of this request for proposal in no way obligates TDHCA to award a contract or to pay any costs incurred in the preparation of a response.

D. RELEASE OF INFORMATION

Information submitted relative to this request for proposals shall not be released by TDHCA during the proposed evaluation process or prior to contract award. All information submitted to and retained by TDHCA becomes subject to disclosure under the Texas Public Information Act, unless an exception under such Act is applicable.

E. PROPRIETARY INFORMATION

If a firm does not desire proprietary information in the proposal to be disclosed under the Texas Public Information Act or otherwise, it is required to clearly identify (and segregate, if possible) all proprietary information in the proposal, which identification shall be submitted concurrently with the proposal. If such information is requested under the Texas Public Information Act, the firm will be notified and given an opportunity to present its position to the Attorney General of Texas, who shall make the statutory determination. If the firm fails to clearly identify proprietary information, it agrees, by the submission of a proposal, that those sections shall be deemed non-proprietary and made available upon public request after the contract is awarded.

IV. REQUESTED INFORMATION

Respondent must:

- A. Provide a general description of your law firm, including historical background, number and location of firm offices, number of attorneys and major areas of practice;
- B. Provide a general description of your firm's practice in the field of public finance, including the size and scope of the practice, the number of attorneys active in the practice and other resources of the firm relevant to the practice;
- C. Provide a complete list of bond issues for which the firm has acted as Bond Counsel during the past five years; indicate, for each of the five years, the number and aggregate dollar amount of bond issues for which the firm acted as Bond Counsel.

- D. Indicate subtotals for each of the following categories; state general obligation bonds, local general obligation bonds, state revenue bonds, and local revenue bonds; provide a description of the firm's practice in the field of housing finance, the number of attorneys active in the practice and other resources of the firm relevant to the practice; provide a listing of each single-family and multi-family housing bond issue handled by the firm as Bond Counsel during the past ten years. For each bond issue, indicate the name of the issuer, the size of the bond issue and provide a capsule description of the type of transaction (e.g., nature of credit enhancement, tender option provisions or other unusual features); describe five innovative finance transactions in which the firm played a significant role, including at least three housing transactions; identify the individuals who will be assigned to the TDHCA account if the firm is selected as Bond Counsel.
- E. Provide information regarding the background and experience of each individual, in particular their housing finance experience, if any, and designate the percentage of work for which each individual will be responsible; provide five public finance client references, preferably including at least two state agency clients; describe in detail the services that the firm normally provides as Bond Counsel for a transaction and other matters not directly related to bond transactions in which the firm anticipates its services may be necessary.
- F. Explain the reasons why and the extent to which additional involvement may be necessary; discuss briefly the firm's views as to the major problems to be faced by the TDHCA during the next three years; and discuss the role of Bond Counsel in helping to find solutions to those problems.
- G. Compensation. As required by the outside counsel contract provided by the Office of the Attorney General of Texas, your firm's proposed method of charging for legal services shall be submitted to the Agency on a monthly basis and shall provide a detailed accounting of the time charged and the respective charge for each increment of time and contain detail of specific expenses allowed by the Attorney General of Texas and set by the State of Texas Comptroller of Public Accounts. All proposals must include a statement that they are valid for the duration of the contract.

V. REVIEW.

- A. In accordance with law, TDHCA will make its selection based upon its perception of the need for Bond Counsel, the demonstrated competence, experience, knowledge, and qualifications, on the reasonableness of the proposed fee for the services to be performed. By this Request for Proposals, however, TDHCA has not committed itself to employ Bond Counsel for any or all of the above-described matters, nor does the suggested scope of services or term of agreement require that Bond Counsel be employed for any of those purposes. TDHCA reserves the right to make those decisions after receipt of responses, and TDHCA's decision on these matters is final.
- B. TDHCA reserves the right to negotiate all elements which comprise the proposal of the firm(s) to ensure that the best possible consideration be afforded to all concerned. TDHCA reserves the right to reject any and all proposals and to resolicit in such an

event. TDHCA permits proposals utilizing joint ventures of any two or more firms, if appropriate.

- C. Conflict of Interest. TDHCA will not contract with any firm in which the provisions of conflict of interest, as set out in the 2003 Outside Counsel Contract provided by the Attorney General of Texas, are not met, as follows:

8.12 CONFLICT OF INTEREST. If the legal services to be performed by an attorney pursuant to this Agreement involve representation of the Agency in a contested matter, the Outside Counsel represents that Outside Counsel, and such attorney, does not, and shall not during the term hereof, represent a plaintiff in a proceeding seeking monetary damages from the State of Texas or any of its agencies. Outside Counsel shall conduct a conflicts analysis on any subcontractor and disclose any, actual or potential conflict to the Agency and the Attorney General. For these purposes, "proceedings seeking money damages" do not include actions for tax refunds or reimbursement of costs of litigation and attorneys' fees.

VI. ADDITIONAL INFORMATION.

For additional information concerning the requirements of this request for proposals, please contact Mr. Kevin Hamby, General Counsel, at (512) 475-3948. Communication with any member of the Board of Directors, the Executive Director, or TDHCA staff other than Mr. Hamby, or his assistant, concerning any matter relating to this request for proposals is grounds for immediate disqualification.

Issued in Austin, Texas on June 8, 2007

Michael Gerber

Michael Gerber, Executive Director

LEGAL SERVICES DIVISION
BOARD ACTION REQUEST
June 14, 2007

Action Item

Presentation, Discussion and Possible Action of Request for Proposals for Bond Disclosure Securities Counsel.

Requested Action

Approve for publication in the Texas Register a notice for Bond Disclosure Securities Counsel proposals.

Background and Recommendations

State law requires that professional contracts be bid to provide the state with the best value of representation. The law allows for a one year agreement, plus a one year extension. Current Bond Disclosure Securities Counsel McCall Parkhurst and Horton, L.L.P. will reach the end of the current contract in August of 2007. The contract may not be renewed at this time. McCall Parkhurst and Horton is eligible to submit proposals again.

Staff proposes a similar RFP to the one used two years ago. In an attempt to encourage broad participation and multiple applicant proposals, the RFP allows flexibility in the qualifications. The Department will create a review committee made up of the General Counsel, The Director of Multi Family Production and the Director of Bond Finance and others appointed by the Executive Director to review and rank proposals prior to submitting for award by the Board.

The Office of the Attorney General will need to approve the final selection of outside bond counsel.

Staff Recommendation: Staff recommends that the Board approve the RFP for Bond Disclosure Securities Counsel for publication in the Texas Register.

REQUEST FOR PROPOSALS
FOR
BOND/SECURITIES DISCLOSURE COUNSEL

I. BACKGROUND ON THE TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

A. PURPOSE

The Texas Department of Housing and Community Affairs (“TDHCA”), is a public and official governmental agency of the state, pursuant to Chapter 2306, Texas Government Code (the “Act”). One purpose of TDHCA is to provide for the housing needs of individuals and families of low, very low and extremely low income and families of moderate income. Pursuant to the Act, TDHCA may issue bonds, notes or other obligations to finance or refinance residential housing and multi-family developments and to refund bonds previously issued by Texas Housing Agency, TDHCA, or certain other quasi-governmental issuers. The Act specifically provides that the revenue bonds of the Agency become revenue bonds of TDHCA.

B. ORGANIZATION

TDHCA is governed by an executive director employed by a seven-member board. The members of the board are appointed by the Governor upon the advice and consent of the Texas Senate for staggered six-year terms, with the terms of two or three members expiring on January 31 of each odd-numbered year. The board is responsible for authorizing the allocation of bonds by TDHCA and all other acts in connection therewith specified in the Act. The executive director is responsible for the overall administration of TDHCA and its programs and for employing its staff.

C. BOND PROGRAMS.

Single Family Housing Bond Program. TDHCA has established a Single Family Mortgage Revenue Bond Program pursuant to the Act for the purpose of assisting in financing the costs of acquisition of residences within the State of Texas by eligible borrowers. The program offers interest rates below conventional market rates through the sale of tax-exempt mortgage revenue bonds. The guidelines adopted by TDHCA from time to time in connection with the program establish the eligibility of lenders to participate in the program, time limitations with respect to commitments for and originations of mortgage loans, the types of mortgage loans eligible for purchase by the servicer, the eligibility of mortgagors, the requirements for dwellings which secure mortgage loans, the fees which a mortgage lender may charge to originate a mortgage loan, the fees which a lending institution may charge for servicing a mortgage loan, as well as other aspects of the program.

Multi-Family Bond Program. The Multi-Family Bond Program finances below market loans to non-profit and for-profit developers of apartment projects serving moderate income persons and families that agree to set aside at least 20% of a project's unit for rental to very low and low income persons and families. In addition, at least 5% must be rented to persons with special needs. TDHCA funds the loans through the sale of tax-exempt and taxable mortgage revenue bonds.

II. SCOPE OF SERVICES.

A. NATURE OF SERVICES REQUIRED.

TDHCA anticipates the need for legal services in connection with the issuance of bonds at any time and from time to time during the term of the contract at the request of TDHCA. Bond/Securities Disclosure Counsel is expected to assign those attorneys and professionals employed by the firm who are best suited to appropriately respond to such requests in connection with the issuance of bonds and with ongoing compliance of any/all trust indentures. The firm will provide any such services as Bond/Securities Disclosure Counsel, which includes preparation of all Official Statements of TDHCA in connection with bond issues being sold into the public market.

B. TERMS OF AGREEMENT

Subject to the approval of Bond/Securities Disclosure Counsel by the governing board of the TDHCA, and negotiation of an acceptable contract by TDHCA and such outside counsel, TDHCA will execute an agreement with Bond/Securities Disclosure Counsel for at least a one year term with optional extensions as required based on performance and on such other terms and conditions as may be acceptable to the parties subject to required approval of the Attorney General of Texas. Any such agreement shall provide that TDHCA will retain the right to terminate the contract for any reason and at any time upon the payment of fees and expenses then due and payable.

III. RFP INSTRUCTIONS

A. PROPOSAL FORM AND FORMAT

Four (4) copies of the proposal are requested and should be sent by registered mail or delivered in person to the attention of Mr. Kevin Hamby, General Counsel, Texas Department of Housing and Community Affairs, 507 Sabine St., Suite 900, Austin, Texas 78701, no later than the deadline for submission of proposals specified below. The proposals must include each question or request for information, as specified herein, followed by the narrative answer in the standard format for interrogatories, limited to one side of a single 8 1/2" x 11" page. Supplemental information (such as firm brochure, annual reports or background material), if any, must be restricted to Appendices following the responses. The pages of the proposal should be numbered sequentially with the name of the firm on each page. The proposal should be submitted in a loose-leaf binder.

B. DEADLINE FOR SUBMISSION

The deadline for submission in response to the Request for Proposals is 4:00 p.m., Central Daylight Saving Time, on **{DATE}**. No proposal will be accepted after the deadline.

C. GENERAL INFORMATION

TDHCA reserves the right to accept or reject any (or all) proposals submitted. The information contained in this proposal request is intended to serve only as a general description of the services desired by TDHCA, and TDHCA intends to use responses as a basis for further negotiation of specific project details with offerors. This request does not commit TDHCA to pay for any costs incurred prior to the execution of a contract and is subject to availability of funds. Issuance of this request for proposal in no way obligates TDHCA to award a contract or to pay any costs incurred in the preparation of a response.

D. RELEASE OF INFORMATION

Information submitted relative to this request for proposals shall not be released by TDHCA during the proposed evaluation process or prior to contract award. All information submitted to and retained by TDHCA becomes subject to disclosure under the Texas Public Information Act, unless an exception under such Act is applicable.

E. PROPRIETARY INFORMATION

If a firm does not desire proprietary information in the proposal to be disclosed under the Texas Public Information Act or otherwise, it is required to clearly identify (and segregate, if possible) all proprietary information in the proposal, which identification shall be submitted concurrently with the proposal. If such information is requested under the Texas Public Information Act, the firm will be notified and given an opportunity to present its position to the Attorney General of Texas, who shall make the statutory determination. If the firm fails to clearly identify proprietary information, it agrees, by the submission of a proposal, that those sections shall be deemed non-proprietary and made available upon public request after the contract is awarded.

IV. REQUESTED INFORMATION

Respondent must:

- A. Provide a general description of your law firm, including historical background, number and location of firm offices, number of attorneys and major areas of practice;
- B. Provide a general description of your firm's practice in the field of public finance, including the size and scope of the practice, the number of attorneys active in the practice and other resources of the firm relevant to the practice;

- C. Provide a complete list of bond issues for which the firm has acted as Bond/Securities Disclosure Counsel during the past five years; indicate, for each of the five years, the number and aggregate dollar amount of bond issues for which the firm acted as Bond/Securities Disclosure Counsel.
- D. Indicate subtotals for each of the following categories; state general obligation bonds, local general obligation bonds, state revenue bonds, and local revenue bonds; provide a description of the firm's practice in the field of housing finance, the number of attorneys active in the practice and other resources of the firm relevant to the practice; provide a listing of each single-family and multi-family housing bond issue handled by the firm as Bond/Securities Disclosure Counsel during the past ten years. For each bond issue, indicate the name of the issuer, the size of the bond issue and provide a capsule description of the type of transaction (e.g., nature of credit enhancement, tender option provisions or other unusual features); describe five innovative finance transactions in which the firm played a significant role, including at least three housing transactions; identify the individuals who will be assigned to the TDHCA account if the firm is selected as Bond/Securities Disclosure Counsel.
- E. Provide information regarding the background and experience of each individual, in particular their housing finance experience, if any, and designate the percentage of work for which each individual will be responsible; provide five public finance client references, preferably including at least two state agency clients; describe in detail the services that the firm normally provides as Bond/Securities Disclosure Counsel for a transaction and other matters not directly related to bond transactions in which the firm anticipates its services may be necessary.
- F. Explain the reasons why and the extent to which additional involvement may be necessary; discuss briefly the firm's views as to the major problems to be faced by the TDHCA during the next three years; and discuss the role of Bond/Securities Disclosure Counsel in helping to find solutions to those problems.
- G. Compensation. As required by the outside counsel contract provided by the Office of the Attorney General of Texas, your firm's proposed method of charging for legal services shall be submitted to the Agency on a monthly basis and shall provide a detailed accounting of the time charged and the respective charge for each increment of time and contain detail of specific expenses allowed by the Attorney General of Texas and set by the State of Texas Comptroller of Public Accounts. All proposals must include a statement that they are valid for the duration of the contract.

V. REVIEW.

- A. In accordance with law, TDHCA will make its selection based upon its perception of the need for Bond/Securities Disclosure Counsel, the demonstrated competence, experience, knowledge, and qualifications, on the reasonableness of the proposed fee for the services to be performed. By this Request for Proposals, however, TDHCA has not committed itself to employ Bond/Securities Disclosure Counsel for any or all of the above-described matters, nor does the suggested scope of services or term of agreement

require that Bond/Securities Disclosure Counsel be employed for any of those purposes. TDHCA reserves the right to make those decisions after receipt of responses, and TDHCA's decision on these matters is final.

- B. TDHCA reserves the right to negotiate all elements which comprise the proposal of the firm(s) to ensure that the best possible consideration be afforded to all concerned. TDHCA reserves the right to reject any and all proposals and to resolicit in such an event. TDHCA permits proposals utilizing joint ventures of any two or more firms, if appropriate.
- C. Conflict of Interest. TDHCA will not contract with any firm in which the provisions of conflict of interest, as set out in the 2003 Outside Counsel Contract provided by the Attorney General of Texas, are not met, as follows:

8.12 CONFLICT OF INTEREST. If the legal services to be performed by an attorney pursuant to this Agreement involve representation of the Agency in a contested matter, the Outside Counsel represents that Outside Counsel, and such attorney, does not, and shall not during the term hereof, represent a plaintiff in a proceeding seeking monetary damages from the State of Texas or any of its agencies. Outside Counsel shall conduct a conflicts analysis on any subcontractor and disclose any, actual or potential conflict to the Agency and the Attorney General. For these purposes, "proceedings seeking money damages" do not include actions for tax refunds or reimbursement of costs of litigation and attorneys' fees.

VI. ADDITIONAL INFORMATION.

For additional information concerning the requirements of this request for proposals, please contact Mr. Kevin Hamby, General Counsel, at (512) 475-3948. Communication with any member of the Board of Directors, the Executive Director, or TDHCA staff other than Mr. Hamby, or his assistant, concerning any matter relating to this request for proposals is grounds for immediate disqualification.

Issued in Austin, Texas on June 8, 2007

Michael Gerber

Michael Gerber, Executive Director

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 14, 2007

Action Item

Housing Tax Credit Amendments.

Requested Action

Approve, amend or deny the requests for amendments.

Background and Recommendations

§2306.6712, Texas Government Code, indicates that the Board should determine the disposition of a requested amendment if the amendment is a “material alteration,” would materially alter the development in a negative manner or would have adversely affected the selection of the application in the application round. The statute identifies certain changes as material alterations and the requests presented below include material alterations.

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

Limitations on the Approval of Amendment Requests

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

Penalties for Amendment Requests

§49.9(c), 2007 Qualified Allocation Plan and Rules, entitled, “Adherence to Obligations,” states in part:

Effective December 1, 2006, if a Development Owner does not produce the Development as represented in the Application and in any amendments approved by the Department subsequent to the Application, or does not provide the necessary evidence for any points received by the required deadline:

(1) the Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components; and

(2) the Board will opt either to terminate the Application and rescind the Commitment Notice, Determination Notice or Carryover Allocation Agreement as applicable or the Department must:

(A) reduce the score for Applications for tax credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was identified by the Department; and

(B) prohibit eligibility to apply for tax credits for a Tax-Exempt Bond Development that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for 12 months from the date that the non-conforming aspect, or lack of financing, was identified by the Department.

HTC No. Cypresswood Crossing, 07093 (forward commitment to HTC No. 060105)

Summary of Request: The owner requests approval to change the site plan. The development site will include the same amount of acreage as originally proposed from the same site as the site for which site control was established in the pre-application and application. The new site location is set back from State Highway 87 approximately the length of the proposed driveway, approximately 445 feet. The original development site was much nearer the highway, only requiring a driveway of about 100 feet. The new site plan has the same number of buildings but the buildings are more widely distributed over the land.

Governing Law: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a significant modification of the site plan and any other modification that is considered significant by the board.

Owner: Cypresswood Crossing, L.P.

General Partner: Cypresswood Crossing GP, LLC

Developers: Itex Developers, LLC

Principals/Interested Parties: Ike Akbari, Chris Akbari

Syndicator: MMA Financial

Construction Lender: MMA Financial

Permanent Lender: MMA Financial

Other Funding: City of Orange

City/County: Orange/Orange

Set-Aside: General

Type of Area: Rural

Type of Development: New Construction

Population Served: General Population

Units: 76 HTC units

2007 Allocation: \$636,962

Allocation per HTC Unit: \$8,381

Prior Board Actions: 7/06 – Approved forward commitment of 2007 funding

Underwriting Reevaluation:

Staff Recommendation: **Staff recommends approving the request. The changes would not significantly impact the development in a negative manner and would not have adversely affected the selection of the application.**

Penalty Assessment: **No penalty assessment is recommended because the amendment is requested in advance of the changes being instituted.**



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, Multifamily Finance Production
From: Raquel Morales, Real Estate Analysis
cc: File
Date: May 23, 2007
Re: Amendment Request for Cypresswood Crossing, TDHCA #07093

I have reviewed the Partnership's request to amend the original tax credit application for the above referenced property with respect to the site plan. Specifically, the site plan has changed from that approved at application to allow for a layout that is more spacious to the tenants and provides improved traffic flow and a safer intersection with Highway 87, which provides access to the subject development. According to the information submitted, the size of the site on which this development is being built (8 acres out of a 17.021 acre tract), the number of residential buildings, the total net rentable square footage and overall development costs remain unchanged by the proposed change.

Based on the information provided by the Partnership, it does not appear at this time that a change to the recommended credit amount is warranted. Upon receipt of the development's final Cost Certification documentation a final analysis and credit recommendation will be determined.

COATS | ROSE

ANTOINETTE M. JACKSON

tjackson@coatsrose.com
Direct Dial
(713) 653-7392
Direct Fax
(713) 890-3928

May 4 2007

By Federal Express and Electronic Transmittal

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

RECEIVED
MAY 07 2007
LINTL

RE: Cypresswood Crossing, Orange, Texas (TDHCA # 07093 – Forward Commitment);
Development Owner – Cypresswood Crossing, LP
Request to Amend 2006 9% Low Income Housing Tax Credit Application.

Dear Ben:

This is a request of behalf of Cypresswood Crossing, LP (“Development Owner”) to amend the 2006 9% Low Income Housing Tax Credit Application for Cypresswood Crossing (the “Development”) to include a revised site plan. We enclose a check for the \$2,500.00 amendment fee and a 2007 Multifamily Rental Housing Document and Payment Receipt. Please file stamp and initial the Receipt in your customary manner and fax it to 713-890-3928.

The original site plan included in the Application is attached to this letter as Exhibit “A”. The site is 8.00 acres out of a 17.021 acre tract and the plan includes 8 residential buildings and one community building. The primary reason for the proposed changes to the site plan is the acute angle of the driveway’s intersection with Highway 87, as shown on Exhibit “A” and to provide a layout that is more beneficial to the tenants.

The proposed substitute site plan is attached as Exhibit “B”. This plan also includes 8.00 acres out of the same 17.021 acre tract, but the southern boundary line has been adjusted to permit a safer 90 degree angle of intersection with Highway 87, as shown in Exhibit “C”. The

COATS | ROSE | YALE | RYMAN | LEE
A Professional Corporation

3 East Greenway Plaza, Suite 2000 Houston, Texas 77046-0307

Phone: 713-651-0111 Fax: 713-651-0220

Web: www.coatsrose.com

Mr. Ben Sheppard

April 25, 2007

Page 2

modification to the site plan has the added advantage of permitting a more dispersed arrangement of the 8 residential buildings, so that the residences have better views of green space, as opposed to views of other buildings. The total green space has been increased as the result of the reduction in parking spaces shown on the site plan from 2.6 spaces per unit to 2.2 spaces per unit. This reduction in parking spaces resolves a discrepancy between the original site plan which shows 198 spaces and the information provided in Volume 3, Tab 1(B) Specifications and Amenities, which specified 166 uncovered parking spaces. The 166 units amply meets the municipal zoning requirements which are 2 spaces per unit. The Development Owner has also taken the opportunity to move the playground area farther away from the driveway to enhance children's safety.

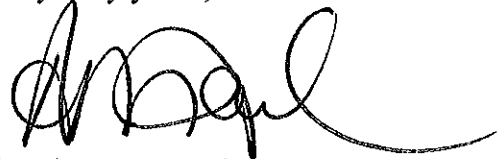
You will further note that the change in this layout: (1) does not change the overall costs of the development; (2) does not change the net rentable area; and (3) keeps the same common spaces as set forth in the application.

We hope that the Department will agree that the revised site plan offers a more spacious design with improved traffic flow and a safer intersection with Highway 87 and will approve this amendment request. If you have any questions, or if there are any issues concerning this Request to Amend on Cypresswood Crossing, please do not hesitate to call me at 713-653-7392.

This request for an amendment is being submitted prior to construction loan closing and commencement of construction. Accordingly, we believe that there should be no penalty for the amendment under Section 49.9(c) of the 2007 QAP.

If this amendment request requires a vote by the TDHCA Board, we ask that it be addressed at the June 14th Board Meeting, so that construction can commence as soon as possible.

Very truly yours,



Antoinette M. Jackson

Enclosures - \$2,500.00 check with Document and Payment Receipt

cc: Ike Akbari
Chris Akbari

**Housing Tax Credit Program
Board Action Request
June 14, 2007**

Action Item

Request review and board determination of one (1) four percent (4%) tax credit application with another issuer for a tax exempt bond transaction.

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notices with **another issuer** for the tax exempt bond transaction 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 |
|------------------------|----------------|-----------------|---------------------|--------------------|-----------------|--------------------------|--|------------------------------------|--------------------------------------|
| 07414 | Costa Clemente | Angleton | Southeast Texas HFC | 176 | 176 | \$19,442,264 | \$10,716,000 | \$765,671 | \$765,671 |

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 14, 2007

Action Item

Presentation, Discussion and Possible Issuance of Determination Notices for Housing Tax Credits associated with Mortgage Revenue Bond Transactions with other Issuers.

Requested Action

Approve, Amend or Deny the staff recommendation for Costa Clemente, #07414.

Summary of the Transaction

Background and General Information: The application was received on February 27, 2007. The Issuer for this transaction is Southeast Texas HFC with a reservation of allocation that expires on July 14, 2007. The proposed development will be new construction and will consist of 176 total units targeting general population, with all units affordable. The proposed development will be located in Angleton, Brazoria County. The site is currently zoned for this type of development.

Organizational Structure and Compliance: The Borrower is Costa Clemente III, Ltd. and the General Partner is Costa Clemente III GP, LLC which is comprised of Northside Redevelopment Center with 100% ownership interest. The Compliance Status Summary completed on May 25, 2007 reveals that the principals of the general partner have a total of ten (10) properties that have been monitored with no material non-compliance. The bond priority for this transaction is:

Priority 3: Any qualified residential development.

Census Demographics: The development is to be located at approximately the 1100 block of W. Highway 35 and Highway 288 in Angleton. Demographics for the census tract (6625) include AMFI of \$60,132; the total population is 2,152; the percent of population that is minority is 42.10%; the percent of population that is below the poverty line is 11.67%; the number of owner occupied units is 580; the number of renter units is 80 and the number of vacant units is 47. The percentage of population that is minority for the entire City of Angleton is 37% (Census information from FFIEC Geocoding for 2006).

Public Comment: The Department has received one letter of support for the development from Mayor J. Patrick Henry with the City of Angleton and no letters of opposition.

Recommendation

Staff recommends the Board approve the issuance of a Determination Notice of \$765,671 in Housing Tax Credits for Costa Clemente.



MULTIFAMILY FINANCE PRODUCTION DIVISION
June 14, 2007
Development Information, Public Input and Board Summary
Costa Clemente, TDHCA Number 07414

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

| | | |
|--|----------------|-----------|
| 4% Housing Tax Credits: | Credit Amount: | \$765,671 |
| Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed \$765,671 annually for ten years, subject to conditions. | | |
| TDHCA Bond Issuance: | Bond Amount: | \$0 |
| Recommendation: | | |
| HOME Activity Funds: | Loan Amount: | \$0 |
| HOME CHDO Operating Expense Grant: | Grant Amount: | \$0 |
| Recommendation: | | |



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/03/07 PROGRAM: 4% HTC FILE NUMBER: 07414

DEVELOPMENT

Costa Clemente

Location: Approximately 1100 Block of W. Hwy 35 and Hwy 288 Region: 6
 City: Angleton County: Brazoria Zip: 77515 QCT DDA
 Key Attributes: Multifamily, Family, New Construction, Rural

ALLOCATION

| TDHCA Program | REQUEST | | | RECOMMENDATION | | |
|-----------------------------|-----------|----------|------------|------------------|----------|------------|
| | Amount | Interest | Amort/Term | Amount | Interest | Amort/Term |
| Housing Tax Credit (Annual) | \$765,671 | | | \$765,671 | | |

CONDITIONS

- 1 Receipt, review and acceptance prior to cost certification of a final utility report from Diamond Property Consultants and documentation from the utility providers indicating that the utility allowances provided by Diamond Property Consultants were reviewed by the provider and apply to the proposed development is a condition of this report. Tenants will be required to pay electric, natural gas, water, and sewer costs.
- 2 Receipt, review and acceptance prior to closing of revised four-bedroom, two-story unit floor plans that comply with Section 504 of the Rehabilitation Act of 1973 including, at a minimum, one unit having at least two ground floor bedrooms.
- 3 Receipt, review, and acceptance prior to cost certification of evidence that all Phase I ESA recommendations have been carried out including, but not limited to proper disposal of oil drums and above ground storage tanks and a survey for asbestos containing materials if existing structures will be demolished is a condition of this report.
- 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.

SALIENT ISSUES

| TDHCA SET-ASIDES for LURA | | |
|---------------------------|------------|-----------------|
| Income Limit | Rent Limit | Number of Units |
| 60% of AMI | 60% of AMI | 176 |

PROS

The proposed transaction serves an area currently identified as a rural area with a tax-exempt bond structure.

CONS

The high level of anticipated deferred developer fee can not be repaid within 10 years but can be projected to be repaid in 15 years.

PROS continued

The Developer has extensive experience with the Department and the multifamily tax credit program

CONS continued

The anticipated utility allowances have not been finalized and any increase would further erode the achievable level of tax-exempt bonds and increase the already high level of deferred developer fee.

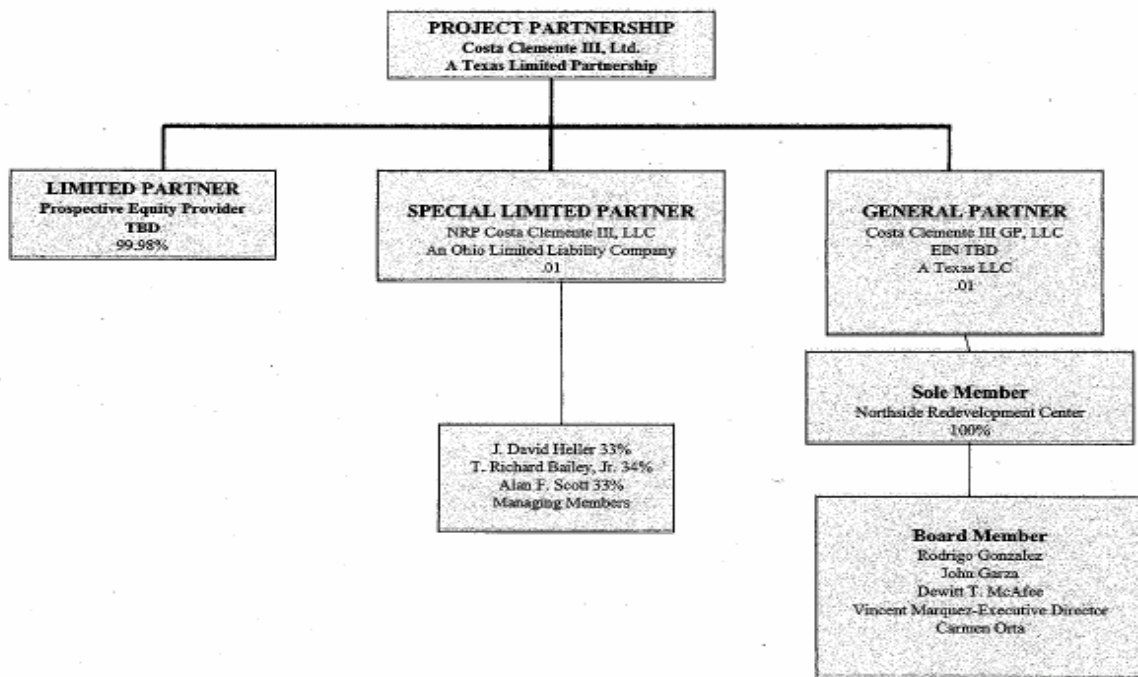
The capture rate of 36% is higher than typical for a Tax-Exempt Bond transaction but is acceptable for a development serving a rural area.

PREVIOUS UNDERWRITING REPORTS

None.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Vincent Marquez Phone: (713) 228-3778 Fax: (713) 228-3988
 Email: cruzmrn@yahoo.com

KEY PARTICIPANTS

| Name | Net Assets | Liquidity ¹ | # of Complete Developments |
|---------------------------|--------------|------------------------|----------------------------|
| Northside Redevelopment C | \$2,991,804 | \$94,786 | |
| NRP Holdings, LLC | \$36,136,449 | \$163,962 | |
| J. David Heller | CONFIDENTIAL | | |
| Ted Bailey Jr. | CONFIDENTIAL | | |
| Alan Scott | CONFIDENTIAL | | |

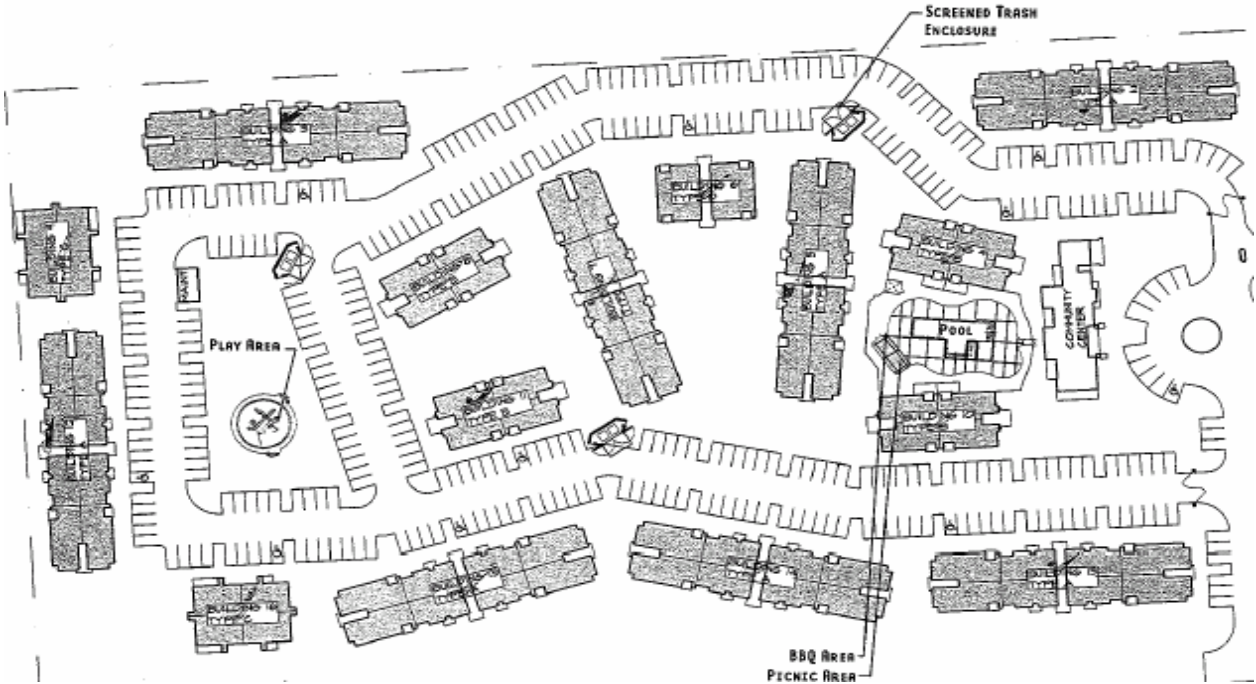
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, General Contractor, property manager, and supportive services provider are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

| | | | | | | | | | | | | | | | |
|----------------|---|---|---|---|--|--|--|--|--|--|--|--|--|--|-----------------|
| Building Type | A | B | C | D | | | | | | | | | | | Total Buildings |
| Floors/Stories | 2 | 2 | 2 | 2 | | | | | | | | | | | |
| Number | 8 | 4 | 2 | 1 | | | | | | | | | | | 15 |

| BR/BA | SF | Units | | | | | | | | | | Total Units | Total SF | |
|--------------------|-------|-------|---|---|---|--|--|--|--|--|--|-------------|----------|---------|
| 1/1 | 722 | | | | 8 | | | | | | | | 8 | 5,776 |
| 2/2 | 930 | | 8 | | | | | | | | | | 32 | 29,760 |
| 2/2 | 936 | 8 | | | | | | | | | | | 64 | 59,904 |
| 3/2 | 1,240 | 8 | | | | | | | | | | | 64 | 79,360 |
| 4/2 | 1,561 | | | 4 | | | | | | | | | 8 | 12,488 |
| Units per Building | | 16 | 8 | 4 | 8 | | | | | | | | 176 | 187,288 |

Comments:

The 2007 QAP requires compliance with Section 504 of the Rehabilitation Act of 1973. New construction developments proposing 2 story units must also comply with this requirement. New Construction 24 CFR 8.22 (a) and (b) of Section 504 states, "A minimum of 5 percent or at least one unit (whichever is greater) in a housing project is required for mobility-impaired persons. An additional minimum of 2 percent or at least one unit (whichever is greater) is required for people with hearing or vision impairments. In circumstances where greater need is shown, HUD may prescribe higher percentages than those listed above."

Thus, two-story units offering two or more bedrooms must have at least two ground floor bedrooms. In order to meet the 504 requirements in this development the Subject is required to provide at least one two-story, four-bedroom unit with two ground floor bedrooms.

Correspondence with the Applicant verifies that the Architect is in the process of revising the 4 bedroom unit floor plans in order to meet 504 requirements. Receipt, review and acceptance by closing of revised four-bedroom, two-story unit floor plans that comply with Section 504 of the Rehabilitation Act of 1973 including, at a minimum, one unit having at least two ground floor bedrooms is a condition of this report.

SITE ISSUES

| | | | | | |
|-------------|-----------------------|---------------------------|------------------------------|--|------------------------------|
| Total Size: | <u>15</u> acres | Scattered site? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | |
| Flood Zone: | <u>Zone X</u> | Within 100-yr floodplain? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | |
| Zoning: | <u>C-2 Commercial</u> | Needs to be re-zoned? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | <input type="checkbox"/> N/A |

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/25/2007

Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable

Surrounding Uses:
 North: Highway 35 & Residential uses
 South: Vacant/undeveloped land
 East: Vacant/undeveloped land & Angleton Middle School
 West: Vacant/undeveloped land & Highway 288

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: Raba Kistner Consultants, Inc. Date: 1/24/2007

Recognized Environmental Concerns (RECs) and Other Concerns:

The Site was observed partially improved along the northern portion with two residential dwellings and a metal storage barn, formerly utilized as an aircraft hangar. R-K observed a centrally located former sod runway traversing from north to south with the remainder of the property consisting of vacant undeveloped farm land. (p.22)

R-K observed two empty 500 gallon above ground storage tanks on the SITE. R-K observed no evidence of releases, stained soil, or stressed vegetation in proximity to these tanks. Three 50-gallon drums were observed within the former aircraft hangar. It appears as though waste oil or other petroleum product is stored within these drums. The drums appeared in good condition with no evidence of releases. However, R-K observed hydrocarbon stained concrete within the hangar. The concrete appeared void of any fractures that would possibly allow infiltration of any hydrocarbons into underlying soils. (p.22)

Comments:

Based on the information as presented herein, no further environmental assessment is deemed warranted for the SITE at this time. However, R-K recommends the following:

Prior to or during SITE development activities, the waste oil drums and above-ground storage tanks should be disposed of at a facility permitted to receive such waste.

In accordance with the US EPA National Emissions Standards for and Hazardous Air Pollutants (NESHAP), as described in Title 40, Part 61, currently regulated in the State of Texas by the TDSHS; if the intent is to demolish structures for commercial development, a survey for asbestos containing building materials is required prior to any such activity along with submittal of the Demolition/Renovation Notification Form to the TDSHS at least ten working days prior to any such activity. (p.23)

Receipt, review, and acceptance of evidence that all Phase I ESA recommendations have been carried out including, but not limited to proper disposal of oil drums and above ground storage tanks and a survey for asbestos containing materials if existing structures will be demolished is a condition of this report.

MARKET HIGHLIGHTS

Provider: Apartment MarketData Date: 1/15/2007
 Contact: Darrell Jack Phone: (210) 530-0040 Fax: (210) 340-5830
 Number of Revisions: 1 Date of Last Applicant Revision: 5/16/2007

Primary Market Area (PMA): 495.43 square miles - 12.60 mile radius

For this analysis, we utilized a "primary market area" encompassing 120.82 square miles. The boundaries of the Primary Market Area are as follows: North - FM 1462; East - FM 2917 & FM 2004; South - Brazoria Road; and West - State Highway 36. (p.3) The Underwriter mapped the primary market area and determined it to be a much larger area covering 495 square miles or equivalent to a 12.6 mile radius. This is an extraordinarily large primary market area for a tax exempt bond transaction in Texas though not necessarily for a rural development.

Secondary Market Area (SMA):

The Market Analyst did not define a secondary market.

| PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS | | | | | | | |
|---|--------|-------------|------------|---------------------|--------|-------------|------------|
| PMA | | | | SMA | | | |
| Name | File # | Total Units | Comp Units | Name | File # | Total Units | Comp Units |
| Lexington Square | 07246 | 79 | 79 | No Secondary Market | | | |
| Brooks Manor Apartments (Elderly) | 07252 | 50 | 0 | | | | |

Brooks Manor Apartments is a planned 9% HTC 50-unit development targeting seniors in the PMA. Developments exclusively targeting seniors are not included in the inclusive capture rate calculation of developments targeting families. Lexington Square is a planned 9% HTC 80-unit development targeting the general population, located within the defined PMA boundaries however the subject has priority as a tax exempt bond transaction with a reservation prior to May 1, 2007. Even when the Underwriter includes these units in the inclusive capture rate calculation they do not yield a capture rate that exceeds the Department's maximum for rural properties.

| INCOME LIMITS | | | | | | |
|---------------|----------|-----------|-----------|-----------|-----------|-----------|
| Brazoria | | | | | | |
| % AMI | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| 60 | \$27,360 | \$31,260 | \$35,160 | \$39,060 | \$42,180 | \$45,300 |

| MARKET ANALYST'S PMA DEMAND by UNIT TYPE | | | | | | | |
|--|-----------------|---------------|--------------|--------------|---------------|-------------------------------|--------------|
| Unit Type | Turnover Demand | Growth Demand | Other Demand | Total Demand | Subject Units | Unstabilized Comparable (PMA) | Capture Rate |
| 1 BR/60% Rent Limit | 476 | 9 | 0 | 484 | 8 | 11 | 2% |
| 2 BR/60% Rent Limit | 476 | 9 | 0 | 484 | 96 | 96 | 20% |
| 3 BR/60% Rent Limit | 476 | 9 | 0 | 484 | 68 | 68 | 14% |
| 4 BR/60% Rent Limit | 476 | 9 | 0 | 484 | 8 | 8 | 2% |

| OVERALL DEMAND | | | | | | | | | |
|----------------------------------|-------------------|-------------------------------|-----------------------------------|--------------|-----------------------------|------------------------|-------|------|-----|
| | Target Households | Household Size | Income Eligible | Tenure | Demand | | | | |
| PMA DEMAND from TURNOVER | | | | | | | | | |
| Market Analyst p. 54 | 16,931 | 98% | 16,655 | 7% | 1,176 | 100% | 1,176 | 65% | 758 |
| Underwriter | 100% 16,930 | 98% | 16,654 | 19% | 3,211 | 23% | 737 | 65% | 476 |
| PMA DEMAND from HOUSEHOLD GROWTH | | | | | | | | | |
| Market Analyst p. 54 | | 98% | 105 | 7% | 7 | 100% | 7 | 100% | 7 |
| Underwriter | | 98% | 200 | 19% | 38 | 23% | 9 | 100% | 9 |
| INCLUSIVE CAPTURE RATE | | | | | | | | | |
| | Subject Units | Unstabilized Comparable (PMA) | Unstabilized Comparable (25% SMA) | Total Supply | Total Demand (w/25% of SMA) | Inclusive Capture Rate | | | |
| Market Analyst p. 60 | 174 | 0 | 0 | 174 | 765 | 22.73% | | | |
| Underwriter | 176 | 79 | 0 | 255 | 484 | 52.66% | | | |

The Underwriter's capture rate calculation above includes the proposed but lower priority 2007 9% transaction known as Lexington Square. Without it the Underwriter's capture rate drops to 36%, which while higher than the normal capture rate for an urban area is acceptable as it is less than the 75% capture rate allowed for developments in rural areas.

Primary Market Occupancy Rates:

"The current occupancy of the market area is 89.3%. However, only three projects have an occupancy lower than 91%. These projects are older (1978-1980) and all have some degree of deterioration. Better projects have occupancies as high as 100%." (p.10)

Absorption Projections:

"Today, the PMA is 89.3% occupied overall. Based on occupancy rates currently reported by existing projects, we opine that the market will readily accept the subject's units. Absorption over the previous sixteen years for all unit types has averaged 19 units per year. This low number is due to the limited number of new units constructed within the PMA. We expect this number will increase as the number of new households continue to grow, and as additional rental units become available." (p. 10)

| RENT ANALYSIS (Tenant-Paid Net Rents) | | | | | | | |
|---------------------------------------|---------------|-----------------|-------------|-------------------|---------------------|--|--|
| Unit Type (% AMI) | Proposed Rent | Program Maximum | Market Rent | Underwriting Rent | Savings Over Market | | |
| 1 BR 722 SF 60% | \$610 | \$610 | \$645 | \$610 | \$35 | | |
| 1 BR 722 SF 60% | \$585 | \$610 | \$645 | \$610 | \$35 | | |
| 2 BR 930 SF 60% | \$739 | \$739 | \$850 | \$739 | \$111 | | |
| 2 BR 936 SF 60% | \$739 | \$739 | \$850 | \$739 | \$111 | | |
| 2 BR 936 SF 60% | \$699 | \$739 | \$850 | \$739 | \$111 | | |
| 3 BR 1,240 SF 60% | \$852 | \$852 | \$1,020 | \$852 | \$168 | | |
| 3 BR 1,240 SF 60% | \$793 | \$852 | \$1,020 | \$852 | \$168 | | |
| 4 BR 1,561 SF 60% | \$942 | \$942 | \$1,195 | \$942 | \$253 | | |
| 4 BR 1,561 SF 60% | \$851 | \$942 | \$1,195 | \$942 | \$253 | | |

Market Impact:

"The proposed project is not likely to have a dramatically detrimental effect on the balance of supply and demand in this market." (p. 13)

Comments:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The Department's market study for the entire MSA does not incorporate demand from turnover as normally allowed in development specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied.)

The proposed development is located in the Lake Jackson/Freeport submarket within the Houston MSA. According to the Department market study; there are -38 units of demand for one-bedroom units at the 60% income level; -48 units of demand for two-bedroom units at the 60% income level; -23 units of demand for three-bedroom units at the 60% income level; and -7 units of demand for four-bedroom units at the 60% income level. (p. III-69). The Market Analyst mentions the VWB Houston Study in the subject market study and points out the differences in conclusions that are made when the demographic information presented in the Vogt study is utilized. Despite the differences, the Market Analyst has met the Department's guidelines and provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 2 Date of Last Applicant Revision: 4/19/2007

In general, the Applicant's projected rents collected for each affordable unit were calculated by subtracting anticipated tenant-paid utility allowance estimates as provided by Diamond Property Consultants, from the 2007 program gross rent limits. According to the Applicant, a portion of the utility allowances reflected in the rent schedule are based on the allowances provided by the Brazoria County Housing Authority and the other portion is based on information provided by the third-party, Diamond Property Consultants. However, the Applicant did not provide sufficient documentation to substantiate that the application of the BCHA utility allowances to 27 of the units is reasonable; therefore, the Underwriter has applied the anticipated Diamond Property Consultants utility allowances to all of the proposed units.

The Applicant assumes Diamond Property will anticipate the electric portion of the utility allowance estimate for each unit type will be based on the estimates provided by the utility provider, Cirro Energy, and the gas, water and sewer portion will be based on the Brazoria County PHA allowances.

However, the Applicant indicates that the utility report from Diamond Property for the subject property is in the process of being finalized and will be forthcoming.

Receipt, review and acceptance of a final utility report from Diamond Property Consultants and documentation from the utility providers indicating that the utility allowances provided by Diamond Property Consultants were reviewed by the provider and apply to the proposed development is a condition of this report. Tenants will be required to pay electric, natural gas, water, and sewer costs.

The Applicant's secondary income and vacancy and collection loss are in line with current TDHCA guidelines, and effective gross income is within 5% of the Underwriter's estimate.

Expense: Number of Revisions: 3 Date of Last Applicant Revision: 5/15/2007

The Applicant's total annual operating expense projection at \$4,412 per unit is not within 5% of the Underwriter's estimate of \$4,655, derived from the TDHCA database and third-party data sources. The Applicant's revised budget shows general and administrative expenses to be approximately \$19K less than the Underwriter's estimate and repairs and maintenance to be approximately \$23K less. Finally, the Underwriter utilized an estimate of \$115K (\$653 per unit) for insurance per an insurance quote dated May 14, 2007 from Brunswick Insurance Underwriters & Risk Management. It should be noted, this figure differs significantly when compared to the TDHCA database (~\$63K higher than average) and IREM (~\$76K higher than average) figures.

Conclusion:

The Applicant's total annual operating expense projection is not within 5% of the Underwriter's estimates; therefore, the Underwriter's year one proforma will be used to determine the development's debt capacity.

The proforma and estimated debt service result in a debt coverage ratio (DCR) below the current underwriting minimum guideline of 1.15. Therefore, the recommended financing structure reflects a decrease in the permanent mortgage based on the interest rate and amortization period indicated in the permanent financing documentation submitted at application. This is discussed in more detail in the conclusion to the "Financing Structure Analysis" section (below).

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Underwriter's base year effective gross income, expense and net operating income and a revised annual debt service were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

| | | | | |
|-----------------|----------|-----------|---------------|--------------|
| Land Only: | 37 acres | \$370,000 | Tax Year: | 2006 |
| 1 acre: | | \$10,000 | Valuation by: | Brazoria CAD |
| Total Prorated: | 15 acres | \$150,000 | Tax Rate: | 2.857672 |

EVIDENCE of PROPERTY CONTROL

| | | | |
|----------------------|-----------------------------------|------------------------------|---|
| Type: | <u>Purchase and Sale Contract</u> | Acreage: | <u>15</u> |
| Contract Expiration: | <u>8/30/2007</u> | Valid Through Board Date? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| Acquisition Cost: | <u>\$1,365,000</u> | Other: | <u></u> |
| Seller: | <u>Cameron Consolidated. Ltd.</u> | Related to Development Team? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 5/29/2007

Acquisition Value:

The site cost of \$19,000 per acre or \$7,756 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. It should be noted, however, this is an extraordinarily high per unit figure for a typical rural transaction.

Off-Site Cost:

The Applicant claimed off-site costs of \$25,000 for driveways and provided sufficient third party certification through an architect to justify these costs.

Sitework Cost:

The Applicant's claimed sitework costs of \$9,000 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$593K or 7% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Interim Interest Expense:

The Underwriter reduced the Applicant's eligible interim financing fees by \$28,665 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.

Contingency & Fees:

The Applicant's contractor's fees are within the maximum allowed by TDHCA guidelines; however, the Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$4,026 and, therefore, the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$16,843,469 supports annual tax credits of \$797,033. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 3 Date of Last Applicant Revision: 5/14/2007

Issuer: Southeast TX HFC
Source: CharterMac Capital Solutions Type: Interim to Permanent Bond Financing
Tax-Exempt: \$10,716,000 Interest Rate: 5.35% Fixed Amort: 480 months
Comments:

The stated interest rate excludes annual trustee fees, issuer fees or other trust indenture expenses; in addition there will be an ongoing monthly fee of 0.0625% payable to the servicer in connection with any extension of the original date of completion beyond 6 months

Source: CharterMac Capital Solutions Type: Syndication
Proceeds: \$7,119,000 Syndication Rate: 93% Anticipated HTC: \$ 765,518
Amount: \$1,606,944 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

As stated above, the proforma analysis results in a debt coverage ratio below the Department's minimum guideline of 1.15. Therefore, receipt, review and acceptance by [date or milestone] of documentation including, but not limited to a new permanent loan commitment supporting a debt coverage ratio at a minimum of 1.15 is a condition of this report. The current underwriting analysis assumes a decrease in the permanent loan amount to \$10,400,000 based on the terms reflected in the application materials. As a result the development's gap in financing will increase.

The Applicant's total development cost estimate less the adjusted permanent loan of \$10,400,000 indicates the need for \$9,042,264 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$972,427 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$765,671), the gap-driven amount (\$972,427), and eligible basis-derived estimate (\$797,033), the Applicant's request of \$765,671 is recommended.

The Underwriter's recommended financing structure indicates the need for \$1,922,553 in additional permanent funds. Deferred developer fees in this amount do not appear to be repayable from development cashflow within 10 years of stabilized operation; however developer fees in this amount do appear to be repayable from development cashflow within 15 years of stabilized operation.

| | | | |
|-----------------------------------|--------------------------------|-------|--------------|
| Underwriter: | _____ | Date: | June 3, 2007 |
| | <i>Diamond Unique Thompson</i> | | |
| Reviewing Underwriter: | _____ | Date: | June 3, 2007 |
| | <i>Lisa Vecchietti</i> | | |
| Director of Real Estate Analysis: | _____ | Date: | June 3, 2007 |
| | <i>Tom Gouris</i> | | |

MULTIFAMILY COMPARATIVE ANALYSIS

Costa Clemente, Angleton, 4% HTC #07414

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Rent Collected | Rent per Month | Rent per SF | Tnt-Pd Util | Trash Only |
|---------------|------------|----------|-----------------|--------------|-----------------|----------------|------------------|---------------|-----------------|----------------|
| TC 60% | 6 | 1 | 1 | 722 | \$732 | \$610 | \$3,660 | \$0.84 | \$122.00 | \$12.00 |
| TC 60% | 2 | 1 | 1 | 722 | \$732 | 610 | 1,220 | 0.84 | \$122.00 | 12.00 |
| TC 60% | 32 | 2 | 2 | 930 | \$879 | 739 | 23,648 | 0.79 | \$140.00 | 12.00 |
| TC 60% | 51 | 2 | 2 | 936 | \$879 | 739 | 37,689 | 0.79 | \$140.00 | 12.00 |
| TC 60% | 13 | 2 | 2 | 936 | \$879 | 739 | 9,607 | 0.79 | \$140.00 | 12.00 |
| TC 60% | 53 | 3 | 2 | 1,240 | \$1,015 | 852 | 45,156 | 0.69 | \$163.00 | 12.00 |
| TC 60% | 11 | 3 | 2 | 1,240 | \$1,015 | 852 | 9,372 | 0.69 | \$163.00 | 12.00 |
| TC 60% | 7 | 4 | 2 | 1,561 | \$1,132 | 942 | 6,594 | 0.60 | \$190.00 | 12.00 |
| TC 60% | 1 | 4 | 2 | 1,561 | \$1,132 | 942 | 942 | 0.60 | \$190.00 | 12.00 |
| TOTAL: | 176 | | AVERAGE: | 1,064 | | \$783 | \$137,888 | \$0.74 | \$149.82 | \$12.00 |

| INCOME | | | | Total Net Rentable Sq Ft: 187,288 | | TDHCA | APPLICANT | COUNTY | IREM REGION | COMPT. REGION |
|---|----------|------------------------------|----------------|-----------------------------------|-----------------|-------------------|------------------|-------------------|---------------------------|----------------------|
| POTENTIAL GROSS RENT | | | | | | \$1,654,656 | \$1,638,936 | Brazoria | | 6 |
| Secondary Income | | Per Unit Per Month: | \$7.50 | | | 15,840 | 15,840 | \$7.50 | Per Unit Per Month | |
| Other Support Income: | | | | | | 0 | 0 | \$0.00 | Per Unit Per Month | |
| POTENTIAL GROSS INCOME | | | | | | \$1,670,496 | \$1,654,776 | | | |
| Vacancy & Collection Loss | | % of Potential Gross Income: | -7.50% | | | (125,287) | (124,104) | -7.50% | of Potential Gross Income | |
| Employee or Other Non-Rental Units or Concessions | | | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | | | \$1,545,209 | \$1,530,672 | | | |
| EXPENSES | | | | % OF EGI | PER UNIT | PER SQ.FT. | | PER SQ.FT. | PER UNIT | % OF EGI |
| General & Administrative | | 5.45% | \$479 | 0.45 | | \$84,217 | \$65,600 | \$0.35 | \$373 | 4.29% |
| Management | | 3.88% | 341 | 0.32 | | 59,981 | 73,920 | 0.39 | 420 | 4.83% |
| Payroll & Payroll Tax | | 11.53% | 1,012 | 0.95 | | 178,136 | 178,400 | 0.95 | 1,014 | 11.66% |
| Repairs & Maintenance | | 4.99% | 438 | 0.41 | | 77,060 | 54,560 | 0.29 | 310 | 3.56% |
| Utilities | | 3.23% | 284 | 0.27 | | 49,968 | 38,000 | 0.20 | 216 | 2.48% |
| Water, Sewer, & Trash | | 3.53% | 310 | 0.29 | | 54,480 | 52,400 | 0.28 | 298 | 3.42% |
| Property Insurance | | 7.44% | 653 | 0.61 | | 115,000 | 115,632 | 0.62 | 657 | 7.55% |
| Property Tax | 2.857672 | 8.52% | 748 | 0.70 | | 131,714 | 129,360 | 0.69 | 735 | 8.45% |
| Reserve for Replacements | | 2.85% | 250 | 0.23 | | 44,000 | 44,000 | 0.23 | 250 | 2.87% |
| TDHCA Compliance Fees | | 0.46% | 40 | 0.04 | | 7,040 | 7,040 | 0.04 | 40 | 0.46% |
| Other: Supp. Servs | | 1.14% | 100 | 0.09 | | 17,600 | 17,600 | 0.09 | 100 | 1.15% |
| TOTAL EXPENSES | | 53.02% | \$4,655 | \$4.37 | | \$819,196 | \$776,512 | \$4.15 | \$4,412 | 50.73% |
| NET OPERATING INC | | 46.98% | \$4,125 | \$3.88 | | \$726,013 | \$754,160 | \$4.03 | \$4,285 | 49.27% |
| DEBT SERVICE | | | | | | | | | | |
| First Lien Mortgage | | 42.08% | \$3,694 | \$3.47 | | \$650,166 | \$655,815 | \$3.50 | \$3,726 | 42.84% |
| 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 | | 4.91% | \$431 | \$0.40 | | \$75,847 | \$98,345 | \$0.53 | \$559 | 6.42% |
| AGGREGATE DEBT COVERAGE RATIO | | | | | | 1.12 | 1.15 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | | 1.15 | | | | |

| 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) | | 7.30% | \$7,756 | \$7.29 | \$1,365,000 | \$1,365,000 | \$7.29 | \$7,756 | 7.02% | |
| Off-Sites | | 0.13% | 142 | 0.13 | 25,000 | 25,000 | 0.13 | 142 | 0.13% | |
| Sitework | | 8.47% | 9,000 | 8.46 | 1,584,000 | 1,584,000 | 8.46 | 9,000 | 8.15% | |
| Direct Construction | | 46.13% | 49,033 | 46.08 | 8,629,801 | 9,223,018 | 49.25 | 52,404 | 47.44% | |
| Contingency | 3.62% | 1.98% | 2,100 | 1.97 | 369,600 | 369,600 | 1.97 | 2,100 | 1.90% | |
| Contractor's Fees | 14.00% | 7.64% | 8,125 | 7.63 | 1,429,932 | 1,512,982 | 8.08 | 8,596 | 7.78% | |
| Indirect Construction | | 5.52% | 5,873 | 5.52 | 1,033,589 | 1,033,589 | 5.52 | 5,873 | 5.32% | |
| Ineligible Costs | | 5.50% | 5,845 | 5.49 | 1,028,769 | 1,028,769 | 5.49 | 5,845 | 5.29% | |
| Developer's Fees | 15.00% | 11.20% | 11,906 | 11.19 | 2,095,534 | 2,201,000 | 11.75 | 12,506 | 11.32% | |
| Interim Financing | | 4.94% | 5,246 | 4.93 | 923,306 | 923,306 | 4.93 | 5,246 | 4.75% | |
| Reserves | | 1.19% | 1,270 | 1.19 | 223,457 | 176,000 | 0.94 | 1,000 | 0.91% | |
| TOTAL COST | | 100.00% | \$106,295 | \$99.89 | \$18,707,988 | \$19,442,264 | \$103.81 | \$110,467 | 100.00% | |
| Construction Cost Recap | | 64.21% | \$68,258 | \$64.14 | \$12,013,333 | \$12,689,600 | \$67.75 | \$72,100 | 65.27% | |

| SOURCES OF FUNDS | | | | | | | | | | |
|---------------------------------|--|--------|-----------|----------|---------------------|---------------------|---------------------|--|----------------------------|--|
| | | | | | TDHCA | APPLICANT | RECOMMENDED | | | |
| First Lien Mortgage | | 57.28% | \$60,886 | \$57.22 | \$10,716,000 | \$10,716,000 | \$10,400,000 | | Developer Fee Available | |
| Additional Financing | | 0.00% | \$0 | \$0.00 | 0 | 0 | 0 | | \$2,196,974 | |
| HTC Syndication Proceeds | | 38.05% | \$40,449 | \$38.01 | 7,119,000 | 7,119,320 | 7,119,711 | | % of Dev. Fee Deferred | |
| Deferred Developer Fees | | 8.59% | \$9,130 | \$8.58 | 1,606,944 | 1,606,944 | 1,922,553 | | 88% | |
| Additional (Excess) Funds Req'd | | -3.92% | (\$4,170) | (\$3.92) | (733,956) | 0 | 0 | | 15-Yr Cumulative Cash Flow | |
| TOTAL SOURCES | | | | | \$18,707,988 | \$19,442,264 | \$19,442,264 | | \$2,882,877 | |

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Costa Clemente, Angleton, 4% HTC #07414

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|--|---------|-------------|----------------|---------------------|
| Base Cost | | | \$53.85 | \$10,084,815 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | \$0.00 | \$0 |
| Elderly | 0.00% | | 0.00 | 0 |
| 9-Ft. Ceilings | 3.00% | | 1.62 | 302,544 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (1.24) | (231,301) |
| Floor Cover | | | 2.43 | 455,110 |
| Balconies | \$22.27 | 10,939 | 1.30 | 243,602 |
| Plumbing Fixtures | \$805 | 336 | 1.44 | 270,480 |
| Rough-ins | \$400 | 176 | 0.38 | 70,400 |
| Built-In Appliances | \$1,850 | 176 | 1.74 | 325,600 |
| Exterior Stairs | \$1,800 | 42 | 0.40 | 75,600 |
| Interior stairs | \$1,089 | 8 | 0.05 | 8,712 |
| Heating/Cooling | | | 1.90 | 355,847 |
| Garages/Carports | | | 0.00 | 0 |
| Comm &/or Aux Bldgs | \$65.36 | 3,836 | 1.34 | 250,731 |
| Other: fire sprinkler | \$1.95 | 0 | 0.00 | 0 |
| SUBTOTAL | | | 65.21 | 12,212,141 |
| Current Cost Multiplier | 0.98 | | (1.30) | (244,243) |
| Local Multiplier | 0.89 | | (7.17) | (1,343,335) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | \$56.73 | \$10,624,562 |
| Plans, specs, survy, bld prn | 3.90% | | (\$2.21) | (\$414,358) |
| Interim Construction Interes | 3.38% | | (1.91) | (358,579) |
| Contractor's OH & Profit | 11.50% | | (6.52) | (1,221,825) |
| NET DIRECT CONSTRUCTION COSTS | | | \$46.08 | \$8,629,801 |

PAYMENT COMPUTATION

| | | | |
|----------------|--------------|-------|------|
| Primary | \$10,716,000 | Amort | 480 |
| Int Rate | 5.35% | DCR | 1.12 |

| | | | |
|------------------|-----|--------------|------|
| Secondary | \$0 | Amort | |
| Int Rate | | Subtotal DCR | 1.12 |

| | | | |
|-------------------|-------------|---------------|------|
| Additional | \$7,119,320 | Amort | |
| Int Rate | | Aggregate DCR | 1.12 |

RECOMMENDED FINANCING STRUCTURE:

| | |
|-------------------------|-----------------|
| Primary Debt Service | \$630,993 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | \$95,020 |

| | | | |
|----------------|--------------|-------|------|
| Primary | \$10,400,000 | Amort | 480 |
| Int Rate | 5.35% | DCR | 1.15 |

| | | | |
|------------------|-------|--------------|------|
| Secondary | \$0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.15 |

| | | | |
|-------------------|-------------|---------------|------|
| Additional | \$7,119,320 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.15 |

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 | \$1,654,656 | \$1,704,296 | \$1,755,425 | \$1,808,087 | \$1,862,330 | \$2,158,951 | \$2,502,816 | \$2,901,449 | \$3,899,305 |
| Secondary Income | 15,840 | 16,315 | 16,805 | 17,309 | 17,828 | 20,668 | 23,959 | 27,776 | 37,328 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 1,670,496 | 1,720,611 | 1,772,229 | 1,825,396 | 1,880,158 | 2,179,618 | 2,526,775 | 2,929,225 | 3,936,633 |
| Vacancy & Collection Loss | (125,287) | (129,046) | (132,917) | (136,905) | (141,012) | (163,471) | (189,508) | (219,692) | (295,247) |
| Employee or Other Non-Renta | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | \$1,545,209 | \$1,591,565 | \$1,639,312 | \$1,688,491 | \$1,739,146 | \$2,016,147 | \$2,337,267 | \$2,709,533 | \$3,641,386 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | \$84,217 | \$87,585 | \$91,089 | \$94,732 | \$98,521 | \$119,866 | \$145,836 | \$177,432 | \$262,642 |
| Management | 59,981 | 61,781 | 63,634 | 65,543 | 67,509 | 78,262 | 90,727 | 105,177 | 141,350 |
| Payroll & Payroll Tax | 178,136 | 185,261 | 192,671 | 200,378 | 208,393 | 253,542 | 308,473 | 375,305 | 555,543 |
| Repairs & Maintenance | 77,060 | 80,143 | 83,348 | 86,682 | 90,149 | 109,681 | 133,443 | 162,354 | 240,324 |
| Utilities | 49,968 | 51,967 | 54,045 | 56,207 | 58,455 | 71,120 | 86,528 | 105,275 | 155,833 |
| Water, Sewer & Trash | 54,480 | 56,659 | 58,926 | 61,283 | 63,734 | 77,542 | 94,342 | 114,781 | 169,904 |
| Insurance | 115,000 | 119,600 | 124,384 | 129,359 | 134,534 | 163,681 | 199,143 | 242,288 | 358,645 |
| Property Tax | 131,714 | 136,983 | 142,462 | 148,161 | 154,087 | 187,471 | 228,087 | 277,502 | 410,771 |
| Reserve for Replacements | 44,000 | 45,760 | 47,590 | 49,494 | 51,474 | 62,626 | 76,194 | 92,701 | 137,221 |
| Other | 24,640 | 25,626 | 26,651 | 27,717 | 28,825 | 35,070 | 42,669 | 51,913 | 76,844 |
| TOTAL EXPENSES | \$819,196 | \$851,364 | \$884,801 | \$919,556 | \$955,683 | \$1,158,861 | \$1,405,441 | \$1,704,728 | \$2,509,075 |
| NET OPERATING INCOME | \$726,013 | \$740,201 | \$754,512 | \$768,935 | \$783,463 | \$857,286 | \$931,826 | \$1,004,805 | \$1,132,311 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | \$630,993 | \$630,993 | \$630,993 | \$630,993 | \$630,993 | \$630,993 | \$630,993 | \$630,993 | \$630,993 |
| 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 | \$95,020 | \$109,208 | \$123,518 | \$137,942 | \$152,470 | \$226,293 | \$300,833 | \$373,812 | \$501,317 |
| DEBT COVERAGE RATIO | 1.15 | 1.17 | 1.20 | 1.22 | 1.24 | 1.36 | 1.48 | 1.59 | 1.79 |

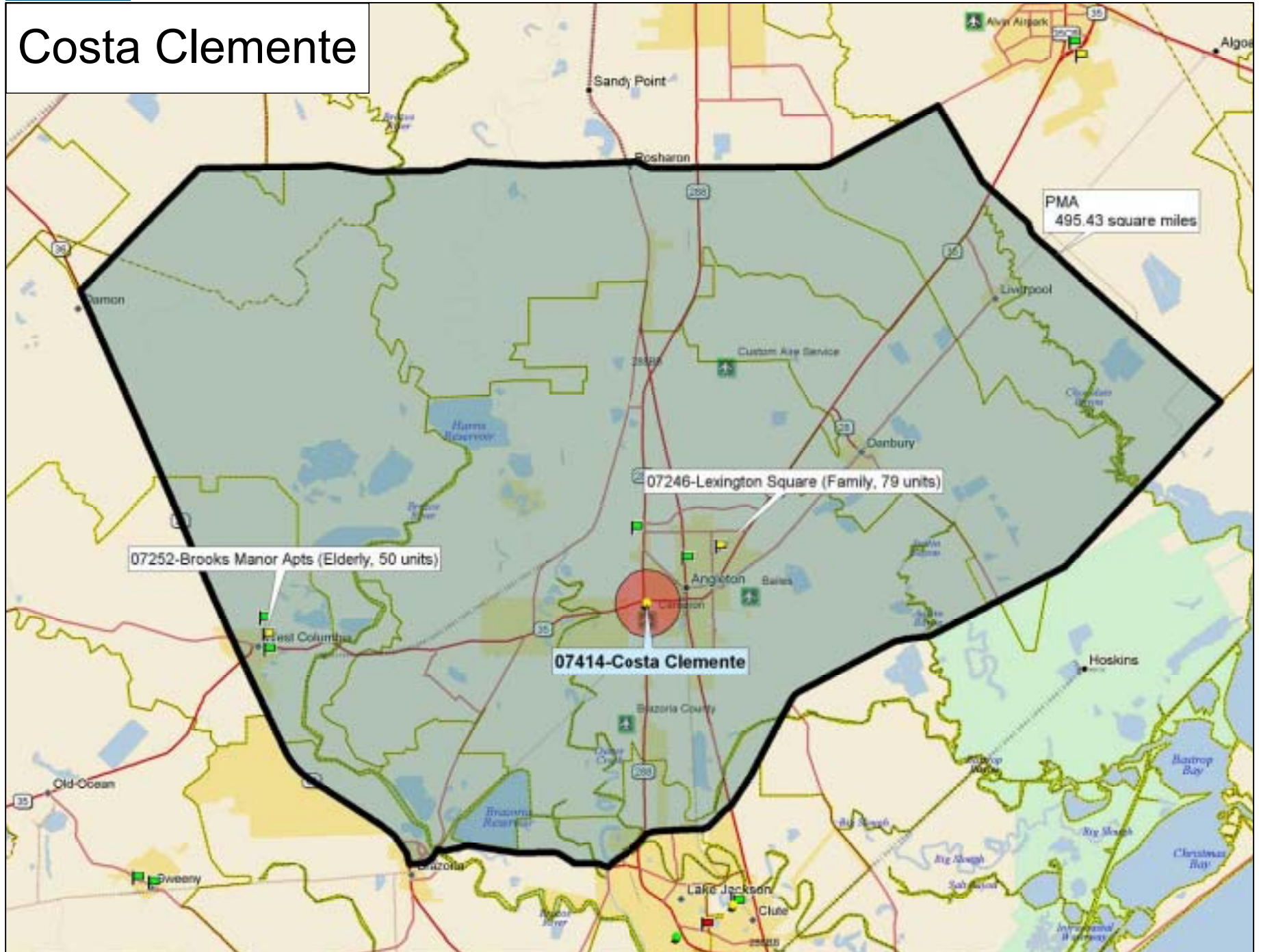
HTC ALLOCATION ANALYSIS -Costa Clemente, Angleton, 4% HTC #07414

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|--------------------------------|---------------------------------|---------------------------|--|--------------------------------------|
| Acquisition Cost | | | | |
| Purchase of land | \$1,365,000 | \$1,365,000 | | |
| Purchase of buildings | | | | |
| Off-Site Improvements | \$25,000 | \$25,000 | | |
| Sitework | \$1,584,000 | \$1,584,000 | \$1,584,000 | \$1,584,000 |
| Construction Hard Costs | \$9,223,018 | \$8,629,801 | \$9,223,018 | \$8,629,801 |
| Contractor Fees | \$1,512,982 | \$1,429,932 | \$1,512,982 | \$1,429,932 |
| Contingencies | \$369,600 | \$369,600 | \$369,600 | \$369,600 |
| Eligible Indirect Fees | \$1,033,589 | \$1,033,589 | \$1,033,589 | \$1,033,589 |
| Eligible Financing Fees | \$923,306 | \$923,306 | \$923,306 | \$923,306 |
| All Ineligible Costs | \$1,028,769 | \$1,028,769 | | |
| Developer Fees | | | \$2,196,974 | |
| Developer Fees | \$2,201,000 | \$2,095,534 | | \$2,095,534 |
| Development Reserves | \$176,000 | \$223,457 | | |
| TOTAL DEVELOPMENT COSTS | \$19,442,264 | \$18,707,988 | \$16,843,469 | \$16,065,762 |

| 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 | | \$16,843,469 | \$16,065,762 |
| High Cost Area Adjustment | | 130% | 130% |
| TOTAL ADJUSTED BASIS | | \$21,896,510 | \$20,885,491 |
| Applicable Fraction | | 100% | 100% |
| TOTAL QUALIFIED BASIS | | \$21,896,510 | \$20,885,491 |
| Applicable Percentage | | 3.64% | 3.64% |
| TOTAL AMOUNT OF TAX CREDITS | | \$797,033 | \$760,232 |

| | | | |
|--|---------------|--------------------|--------------------|
| Syndication Proceeds | 0.9299 | \$7,411,335 | \$7,069,134 |
| Total Tax Credits (Eligible Basis Method) | | \$797,033 | \$760,232 |
| Syndication Proceeds | | \$7,411,335 | \$7,069,134 |
| Requested Tax Credits | | \$765,671 | |
| Syndication Proceeds | | \$7,119,711 | |
| Gap of Syndication Proceeds Needed | | \$9,042,264 | |
| Total Tax Credits (Gap Method) | | \$972,427 | |

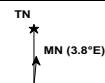
Costa Clemente



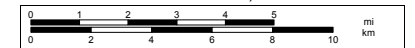
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Scale 1 : 250,000



1" = 3.95 mi

Data Zoom 9-6

Applicant Evaluation

Project ID # **07414**

Name: **Costa Clemente**

City: **Angleton**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other
 No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 3

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 3
 grouped ten to nineteen: 0
 by score twenty to twenty-nine: 0

Yes No

monitored with a score less than thirty: 3

Projects not reported Yes
 in application No

not yet monitored or pending review: 7

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/25/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Reviewer Shannon Roth
 Date 5/25/2007

Reviewer Sandy M. Garcia
 Date 5/30/2007

Reviewer D. Burrell
 Date 5/25/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification (Comments attached)

No delinquencies found
 Delinquencies found

Reviewer EEF
 Date 5/29/2007

Reviewer Raul Gonzales
 Date 6/1/2007

Reviewer Melissa M. Whitehead
 Date 6/7/2007

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS
BOARD ACTION REQUEST
JUNE 14, 2007

Action Item

Presentation, Discussion and Possible Action on a Memorandum of Understanding (MOU) between the Texas Bond Review Board and the Texas Department of Housing and Community Affairs (“the Department”) for the Issuance of 501(c)(3) bonds.

Requested Action

Approve, Amend or Deny the staff recommendation for the Memorandum of Understanding Between the Texas Bond Review Board and the Department which pertains to the Department’s 501(c)(3) Multifamily Mortgage Revenue Bond Program.

Background

Section 2306.358 of the Texas Government Code, which defines the parameters of the Department’s 501(c)(3) Multifamily Mortgage Revenue Bond program, requires the Department and the Texas Bond Review Board to maintain a Memorandum of Understanding which specifies the maximum amount of 501(c)(3) bonds the Department may issue each year.

The previous MOU expired on August 31, 2003. The attached MOU reflects one minor change. At the suggestion of the Bond Review Board and approved by their Counsel, the MOU does not have an expiration date. New language has been added that will allow the MOU to remain in effect until otherwise terminated by either party in writing.

Staff Recommendation

Authorize the Executive Director to execute the attached Memorandum of Understanding.

**MEMORANDUM OF UNDERSTANDING
BETWEEN
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
AND
TEXAS BOND REVIEW BOARD**

This Memorandum of Understanding, (“Memorandum,”) is made and entered into between the Texas Department of Housing and Community Affairs (“TDHCA”), an agency of the State of Texas, and the Texas Bond Review Board (“TBRB”), an agency of the State of Texas, to be effective August 1, 2007.

**SECTION I.
Purpose**

The purpose of this Memorandum is to specify the maximum amount of qualified 501(c)(3) bonds that may be issued by TDHCA in each fiscal year, to define the terms “rural area” and “metropolitan area,” and to otherwise comply in all respects with the requirements of the Texas Government Code, Chapter 2306.358 (the “Code”).

This Memorandum does not constitute a commitment by the TBRB to approve qualified 501(c)(3) bond applications that are submitted by TDHCA to the TBRB and only serves to specify the maximum amount of qualified 501(c)(3) bonds that may be issued by TDHCA in each fiscal year and to define the terms “rural area” and “metropolitan area”.

**SECTION II.
Period of Performance, Termination, and Amendments**

The provisions of this Memorandum shall become effective as of August 1, 2007 and shall remain in effect until otherwise terminated by either party in writing with a 30-day written notice of such termination. The terms of this Memorandum shall continue in effect, regardless of the termination of this memorandum by either party, for any bond issue that received a formal inducement by TDHCA Board (the “Inducement Resolution”) prior to the termination date of this memorandum.

The provisions of this Memorandum may be amended only by written agreement of both parties. In the event it is determined by the parties that this Memorandum is no longer necessary to fulfill the above purposes, the parties shall execute a written termination of this Memorandum in its entirety.

SECTION III.

Definitions

For the purposes of this Memorandum and TDHCA's 501(c)(3) Bond Program, a project is considered to be located in a rural area:

- A) if the area on which the project is or is to be constructed is situated outside the boundaries of a Primary Metropolitan Statistical Area (“PMSA”) or a Metropolitan Statistical Area (“MSA”) described as such on the attached Exhibit A; or,
- B) if the area on which the project is or is to be constructed is situated within the boundaries of a PMSA or MSA, but has a population of not more than 20,000 and does not share boundaries with an urbanized area. [An “urbanized” area comprises one or more central places and the adjacent densely settled surrounding territory (“urban fringe”) that together have a minimum population of 50,000 persons. The urban fringe generally consists of contiguous territory having a density of at least 1,000 persons per square mile].

If a project is not considered to be located in a rural area as outlined above, then the project will be considered to be located in the applicable metropolitan area for the purposes of this Memorandum and TDHCA’s 501(c)(3) Bond Program.

SECTION IV. Maximum Issuance Authority

During the term of this Memorandum, the maximum aggregate amount of qualified 501(c)(3) bonds to be issued by TDHCA during any particular fiscal year is two hundred and fifty million dollars (\$250,000,000) per annum. Based on the allocations outlined in the Act, a minimum of fifteen percent (15%) or \$37,500,000 per annum is reserved for projects in rural areas, as defined in Section III. Additionally, no more than twenty five percent (25%) or \$62,500,000 per annum may be issued in any one metropolitan area as described on Exhibit A.

For the purposes of allocating a bond issue to a fiscal year for determining limitations and satisfying specific reservations, the date of the formal inducement for each bond issue by TDHCA’s Board (the “Inducement Resolution”) shall determine the fiscal year that the bond issue will be allocated.

SECTION V.

Reporting Requirements

TDHCA shall submit to the TBRB, on or before the fifteenth day of the month following the end of each calendar quarter, a report of application and issuance activities during the previous calendar quarter.

**TEXAS DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS**

TEXAS BOND REVIEW BOARD

Michael G. Gerber, Executive Director
Date: _____

Robert C. Kline, Executive Director
Date: _____

**Housing Tax Credit Program
Board Action Request
June 14, 2007**

Action Item

Request, review, and board determination of one (1) four percent (4%) tax credit application with TDHCA as the Issuer.

Recommendation

Staff is recommending that the board review and approve the issuance of one (1) four percent (4%) Tax Credit Determination Notice with **TDHCA** as the Issuer for the tax exempt bond transaction known as:

| Development No. | Name | Location | Issuer | Total Units | LI Units | Total Development | Applicant Proposed Bond Amount | Requested Credit Allocation | Recommended Credit Allocation |
|------------------------|----------------------|-----------------|---------------|--------------------|-----------------|--------------------------|---------------------------------------|------------------------------------|--------------------------------------|
| 07620 | Windshire Apartments | Houston | TDHCA | 252 | 252 | \$28,639,604 | \$15,000,000 | \$1,198,068 | \$1,195,903 |



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MULTIFAMILY FINANCE PRODUCTION DIVISION

2007 Private Activity Multifamily Housing Revenue Bonds

**Windshire Apartments
4500 block of S. Shaver
Harris County, Texas**

**Windshire Apartments, L.P.
252 Units
Priority 3
\$15,000,000 Tax Exempt – Series 2007**

TABLE OF EXHIBITS

| | |
|--------------|---|
| TAB 1 | TDHCA Board Presentation |
| TAB 2 | Bond Resolution |
| TAB 3 | HTC Profile and Board Summary |
| TAB 4 | Sources & Uses of Funds Estimated Cost of Issuance |
| TAB 5 | Department's Real Estate Analysis |
| TAB 6 | Compliance Status Summary |
| TAB 7 | Public Hearing Transcript (May 8, 2007) |

**MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST**

June 14, 2007

Action Item

Presentation, Discussion and Possible Issuance of Multifamily Mortgage Revenue Bonds, Series 2007 and a Determination Notice of Housing Tax Credits with TDHCA as the Issuer for Windshire Apartments.

Requested Action

Approve, Amend or Deny the Issuance of Multifamily Housing Mortgage Revenue Bonds and the Determination of Housing Tax Credits.

Summary of the Windshire Apartments Transaction

Background and General Information: The Bonds will be issued under Chapter 1371, Texas Government Code, as amended, and under Chapter 2306, Texas Government Code, as amended, the Department's Enabling Statute (the "Statute"), which authorizes the Department to issue revenue bonds for its public purposes, as defined therein. (*The Statute provides that the Department's revenue bonds are solely obligations of the Department, and do not create an obligation, debt, or liability of the State of Texas or a pledge or loan of the faith, credit or taxing power of the State of Texas.*) The pre-application for the 2007 Waiting List was received on January 4, 2007. The application was scored and ranked by staff. The application was induced at the February 1, 2007 Board meeting and submitted to the Texas Bond Review Board. The application received a Reservation of Allocation on February 26, 2007. The deadline for bond delivery is on or before July 26, 2007, but the anticipated closing date is July 18, 2007. Located in Harris County, the development consists of the new construction of 252 units targeted to a general population. This application was submitted under the Priority 3 category, with the applicant proposing 100% of the units serving individuals and families earning 60% of AMFI.

Organizational Structure and Compliance: The Borrower is Windshire Apartments, L.P. and is comprised of William D. Henson and family with 45% ownership interest, J. Steve and Cynthia Ford with 45% ownership interest and James R. Mitchell with 10% ownership interest. The Compliance Status Summary completed on May 25, 2007 reveals that the principals of the general partner have a total of forty (40) properties that have no material noncompliance.

Public Hearing: A public hearing was conducted by the Department for the proposed development on May 8, 2007. There was no one present at the hearing. A copy of the transcript is included in this presentation. The Department has not received any letters of support or opposition.

Census Demographics: The proposed site is located at approximately the 4500 block of S. Shaver, Harris County. Demographics for the census tract (3213.00) include AMFI of \$37,952; the total population is 5,585; the percent of the population that is minority is 70.98%; the percent of the population that is below the poverty line is 21.50%; the number of owner occupied units is 448; the number renter occupied units is 1,547 and the number of vacant units is 183. (FFIEC Geocoding for 2006)

Summary of the Financial Structure

The applicant is requesting the Department's approval and issuance of variable rate tax-exempt bonds in an amount not to exceed \$15,000,000. Credit enhancement will be provided by Fannie Mae through a standby irrevocable transferable credit enhancement instrument. Throughout the construction phase, Fannie Mae will be protected by a Letter of Credit issued by Bank of America, N.A. The Bonds will carry a AAA rating. Citigroup Global Markets, Inc. will underwrite the transaction using a debt coverage ratio of 1.15 amortized over 35 years. The term of the Bonds will be for 33.5 years. The construction and lease up period will be for 30 months with the option of two 6 month extensions. The initial interest rate on the Bonds will not exceed 6.27%.

Recommendation

Staff recommends the Board approve the issuance of \$15,000,000 in tax-exempt Multifamily Housing Mortgage Revenue Bonds, Series 2007 and \$1,195,903 in Housing Tax Credits for the Windshire Apartments.

RESOLUTION NO. 07-016

RESOLUTION AUTHORIZING AND APPROVING THE ISSUANCE, SALE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS (WINDSHIRE APARTMENTS) SERIES 2007; APPROVING THE FORM AND SUBSTANCE AND AUTHORIZING THE EXECUTION AND DELIVERY OF DOCUMENTS AND INSTRUMENTS PERTAINING THERETO; AUTHORIZING AND RATIFYING OTHER ACTIONS AND DOCUMENTS; 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, construction and rehabilitation that will provide decent, safe, and affordable living environments for individuals and families of low, very low and extremely low income (as defined in the Act) and families of moderate income (as 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 mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the "State") intended to be occupied by individuals and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; (d) to make, commit to make, and participate in the making of mortgage loans, including federally insured loans, and to enter into agreements and contracts to make or participate in mortgage loans for residential housing for individuals and families of low, very low and extremely low income and families of moderate income; and

WHEREAS, the Board has determined to authorize the issuance of the Texas Department of Housing and Community Affairs Multifamily Housing Revenue Bonds (Windshire Apartments) Series 2007 (the "Bonds"), pursuant to and in accordance with the terms of a Trust Indenture (the "Indenture") by and between the Department and Wells Fargo Bank, National Association, a national banking association, as trustee (the "Trustee"), for the purpose of obtaining funds to finance the Development (defined below), all under and in accordance with the Constitution and laws of the State; and

WHEREAS, the Department desires to use the proceeds of the Bonds to fund a mortgage loan to Windshire Apartments, L.P., a Texas limited partnership (the "Borrower"), in order to finance the cost of acquisition, construction and equipping of a qualified residential rental development described on Exhibit A attached hereto (the "Development") located within the State and required by the Act to be occupied by individuals and families of low and very low income and families of moderate income, as determined by the Department; and

WHEREAS, the Board, by resolution adopted on February 1, 2007, declared its intent to issue its revenue bonds to provide financing for the Development; and

WHEREAS, it is anticipated that the Department, the Borrower and the Trustee will execute and deliver a Financing Agreement (the “Loan Agreement”) pursuant to which (i) the Department will agree to make a mortgage loan funded with the proceeds of the Bonds (the “Mortgage Loan”) to the Borrower to enable the Borrower to finance the cost of acquisition, construction and equipping of the Development and related costs, and (ii) the Borrower will execute and deliver to the Department a multifamily note (the “Mortgage Note”) in an original principal amount equal to the original aggregate principal amount of the Bonds, and providing for payment of interest on such principal amount equal to the interest on the Bonds and to pay other costs described in the Loan Agreement; and

WHEREAS, it is anticipated that credit enhancement for the Mortgage Loan will be initially provided for by a Credit Enhancement Instrument issued by Fannie Mae (the “Credit Provider”); and]

WHEREAS, it is anticipated that the Mortgage Note will be secured by a Multifamily Deed of Trust, Assignment of Rents, Security Agreement, and Fixture Filing (Texas) (the “Security Instrument”) by the Borrower for the benefit of the Department and the Credit Provider; and

WHEREAS, the Department’s interest in the Mortgage Loan (except for certain reserved rights), including the Mortgage Note and the Security Instrument, will be assigned to the Trustee, as its interests may appear, and to the Credit Provider, as its interests may appear, pursuant to an Assignment and Intercreditor Agreement (the “Assignment”) among the Department, the Trustee and the Credit Provider and acknowledged, accepted and agreed to by the Borrower; and

WHEREAS, the Board has determined that the Department, the Trustee and the Borrower will execute a Regulatory and Land Use Restriction Agreement (the “Regulatory Agreement”), with respect to the Development which will be filed of record in the real property records of Harris County, Texas; and

WHEREAS, the Board has been presented with a draft of, has considered and desires to ratify, approve, confirm and authorize the use and distribution in the public offering of the Bonds of a Preliminary Official Statement (the “Official Statement”) and to authorize the authorized representatives of the Department to deem the Official Statement “final” for purposes of Rule 15c2-12 of the Securities and Exchange Commission and to approve the making of such changes in the Official Statement as may be required to provide a final Official Statement for use in the public offering and sale of the Bonds; and

WHEREAS, the Board has further determined that the Department will enter into a Bond Purchase Agreement (the “Purchase Contract”) with the Borrower and Citigroup Global Markets Inc., (the “Underwriter”), and any other parties to such Purchase Contract as authorized by the execution thereof by the Department, setting forth certain terms and conditions upon which the Underwriter or another party will purchase all or their respective portion of the Bonds from the Department and the Department will sell the Bonds to the Underwriter or another party to such Purchase Contract; and

WHEREAS, the Board has determined that the Department and the Borrower will execute an Asset Oversight Agreement (the “Asset Oversight Agreement”), with respect to the Development for the purpose of monitoring the operation and maintenance of the Development; and

WHEREAS, the Board has examined proposed forms of (a) the Indenture, the Loan Agreement, the Assignment, the Regulatory Agreement, the Official Statement, the Purchase Contract and the Asset Oversight Agreement (collectively, the “Issuer Documents”), all of which are attached to and comprise a part of this Resolution and (b) the Security Instrument and the Mortgage Note; has found 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, subject to the conditions set forth in Article I, to authorize the issuance of the Bonds, the execution and delivery of the Issuer Documents, the acceptance of the Security

Instrument and the Mortgage Note and the taking of such other actions as may be necessary or convenient in connection therewith;

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 Bonds. That the issuance of the Bonds is hereby authorized, under and in accordance with the conditions set forth herein and in the Indenture, and that, upon execution and delivery of the Indenture, the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the Department's seal to the Bonds and to deliver the Bonds to the Attorney General of the State for approval, the Comptroller of Public Accounts of the State for registration and the Trustee for authentication (to the extent required in the Indenture), and thereafter to deliver the Bonds to the order of the initial purchaser or purchasers thereof.

Section 1.2--Interest Rate, Principal Amount, Maturity and Price. That the Chair or Vice Chairman of the Board or the Executive Director or Acting Executive Director of the Department are hereby authorized and empowered, in accordance with Chapter 1371, Texas Government Code, to fix and determine the interest rate, principal amount and maturity of, the redemption provisions related to, and the price at which the Department will sell to the Underwriter or another party to the Purchase Contract, the Bonds, all of which determinations shall be conclusively evidenced by the execution and delivery by the Chair or Vice Chairman of the Board or the Executive Director or Acting Executive Director of the Department of the Indenture and the Purchase Contract; provided, however, that (i) the Bonds shall bear interest at the rates determined from time to time by the Remarketing Agent (as such term is defined in the Indenture) in accordance with the provisions of the Indenture; provided that in no event shall the interest rate on the Bonds (including any default interest rate) exceed the maximum interest rate permitted by applicable law; and provided further that the initial interest rate on the Bonds shall not exceed 6.0%; (ii) the aggregate principal amount of the Bonds shall not exceed \$14,000,000; (iii) the final maturity of the Bonds shall occur not later than January 15, 2041; and (iv) the price at which the Bonds are sold to the initial purchaser thereof under the Purchase Contract shall not exceed 103% of the principal amount thereof.

Section 1.3--Approval, Execution and Delivery of the Indenture. That the form and substance of the Indenture are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Indenture and to deliver the Indenture to the Trustee.

Section 1.4--Approval, Execution and Delivery of the Loan Agreement. That the form and substance of the Loan Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute the Loan Agreement and deliver the Loan Agreement to the Borrower and the Trustee.

Section 1.5--Approval, Execution and Delivery of the Regulatory Agreement. That the form and substance of the Regulatory Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute, attest and affix the

Department's seal to the Regulatory Agreement and deliver the Regulatory Agreement to the Borrower and the Trustee and to cause the Regulatory Agreement to be filed of record in the real property records of Harris County, Texas.

Section 1.6--Approval, Execution and Delivery of the Purchase Contract. That the sale of the Bonds to the Underwriter and any other party to the Purchase Contract is hereby approved, that the form and substance of the Purchase Contract are hereby approved, and that the authorized representatives of the Department named in this Resolution each are hereby authorized to execute the Purchase Contract and to deliver the Purchase Contract to the Borrower, the Underwriter and any other party to the Purchase Contract, as appropriate.

Section 1.7--Acceptance of the Mortgage Note and Security Instrument. That the form and substance of the Mortgage Note and Security Instrument are hereby accepted by the Department and that the authorized representatives of the Department named in this Resolution each are hereby authorized to endorse and deliver the Mortgage Note to the order of the Trustee and the Credit Provider, as their interests may appear, without recourse.

Section 1.8--Approval, Execution and Delivery of the Assignment. That the form and substance of the Assignment are 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 Assignment and to deliver the Assignment to the Trustee and the Credit Provider.

Section 1.9--Approval, Execution, Use and Distribution of the Official Statement. That the form and substance of the Preliminary Official Statement and its use and distribution by the Underwriter in accordance with the terms, conditions and limitations contained therein are hereby approved, ratified, confirmed and authorized; that the Chair and Vice Chairman of the Governing Board and the Executive Director of the Department are hereby severally authorized to deem the Preliminary Official Statement "final" for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934; that the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such changes in the Preliminary Official Statement as may be required to provide a final Official Statement for the Bonds and to deem the same as "final" for purposes of the aforementioned Rule 15c2-12; that the authorized representatives of the Department named in this Resolution each are authorized hereby to accept the Official Statement, as required; and that the distribution and circulation of the Official Statement by the Underwriter hereby is authorized and approved, subject to the terms, conditions and limitations contained therein, and further subject to such amendments or additions thereto as may be required by the Bond Purchase Contract and as may be approved by the Executive Director of the Department and the Department's counsel.

Section 1.10--Approval, Execution and Delivery of the Asset Oversight Agreement. That the form and substance of the Asset Oversight Agreement are hereby approved, and that the authorized representatives of the Department named in this Resolution each are authorized hereby to execute and deliver the Asset Oversight Agreement to the Borrower.

Section 1.11--Taking of Any Action; Execution and Delivery of Other Documents. That the authorized representatives of the Department named in this Resolution each are authorized hereby to take any actions and to execute, attest and affix the Department's seal to, and to deliver to the appropriate parties, all such other agreements, commitments, 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 they or any of them consider to be necessary or convenient to carry out or assist in carrying out the purposes of this Resolution.

Section 1.12--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 - Indenture
- Exhibit C - Loan Agreement
- Exhibit D - Regulatory Agreement
- Exhibit E - Purchase Contract
- Exhibit F - Security Instrument
- Exhibit G - Mortgage Note
- Exhibit H - Assignment
- Exhibit I - Preliminary Official Statement
- Exhibit J - Asset Oversight Agreement

Section 1.13--Power to Revise Form of Documents. That notwithstanding any other provision of this Resolution, the authorized representatives of the Department named in this Resolution each are authorized hereby to make or approve such revisions in the form of the documents attached hereto as exhibits as, in the judgment of such authorized representative or authorized representatives, 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 1.14--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 Board, Executive Director or Acting Executive Director of the Department, Deputy Executive Director of Programs of the Department, Deputy Executive Director of Agency Administration of the Department, Director of Financial Administration of the Department, Director of Bond Finance of the Department, Director of Multifamily Finance Production of the Department and the Secretary to the Board.

Section 1.15--Conditions Precedent. That the issuance of the Bonds shall be further subject to, among other things: (a) the Development's meeting all underwriting criteria of the Department, to the satisfaction of the Executive Director of the Department; and (b) the execution by the Borrower and the Department of contractual arrangements satisfactory to the Department staff requiring that community service programs will be provided at the Development.

ARTICLE II

APPROVAL AND RATIFICATION OF CERTAIN ACTIONS

Section 2.1--Approval and Ratification of Application to Texas Bond Review Board. That the Board hereby ratifies and approves the submission of the application for approval of state bonds to the Texas Bond Review Board on behalf of the Department in connection with the issuance of the Bonds in accordance with Chapter 1231, Texas Government Code.

Section 2.2--Approval of Submission to the Attorney General. That the Board hereby authorizes, and approves the submission by the Department's Bond Counsel to the Attorney General of the State, for his approval, of a transcript of legal proceedings relating to the issuance, sale and delivery of the Bonds.

Section 2.3--Certification of the Minutes and Records. That the Secretary to the Board hereby is authorized to certify and authenticate minutes and other records on behalf of the Department for the Bonds and all other Department activities.

Section 2.4--Approval of Requests for Rating from Rating Agency. That the action of the Executive Director or Acting Executive Director of the Department or any successor and the Department's consultants in seeking a rating from Moody's Investors Service, Inc. and/or Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, Inc., is approved, ratified and confirmed hereby.

Section 2.5--Authority to Invest Proceeds. That the Department is authorized to invest and reinvest the proceeds of the Bonds and the fees and revenues to be received in connection with the financing of the Development in accordance with the Indenture and to enter into any agreements relating thereto only to the extent permitted by the Indenture.

Section 2.6--Underwriter. That the underwriter with respect to the issuance of the Bonds shall be Citigroup Global Markets Inc.

Section 2.7--Engagement of Other Professionals. That the Executive Director of the Department or any successor is authorized to engage auditors to perform such functions, audits, yield calculations and subsequent investigations as necessary or appropriate to comply with the Purchase Contract and the requirements of Bond Counsel to the Department, provided such engagement is done in accordance with applicable law of the State.

Section 2.8--Ratifying Other Actions. That all other actions taken by the Executive Director of the Department and the Department staff in connection with the issuance of the Bonds and the financing of the Development are hereby ratified and confirmed.

ARTICLE III

CERTAIN FINDINGS AND DETERMINATIONS

Section 3.1--Findings of the Board. That in accordance with Section 2306.223 of the Act and after the Department's consideration of the information with respect to the Development and the information with respect to the proposed financing of the Development by the Department, including but not limited to the information submitted by the Borrower, independent studies commissioned by the Department, recommendations of the Department staff and such other information as it deems relevant, the Board hereby finds:

(a) Need for Housing Development.

(i) that the Development is necessary to provide needed decent, safe, and sanitary housing at rentals or prices that individuals or families of low and very low income or families of moderate income can afford,

(ii) that the financing of the Development is a public purpose and will provide a public benefit, and

(iii) that the Development will be undertaken within the authority granted by the Act to the housing finance division and the Borrower.

(b) Findings with Respect to the Borrower.

(i) that the Borrower, by operating the Development in accordance with the requirements of the Loan Agreement and Regulatory Agreement, will comply with applicable local building requirements and will supply well-planned and well-designed housing for individuals or families of low and very low income or families of moderate income,

(ii) that the Borrower is financially responsible and has entered into a binding commitment to repay the Mortgage Loan in accordance with its terms, and

(iii) that the Borrower is not, and will not enter into a contract for the Development with, a housing 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) breached a contract with a public agency; 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 Department.

(c) Public Purpose and Benefits.

(i) that the Borrower has agreed to operate the Development in accordance with the Loan Agreement and the Regulatory Agreement, which require, among other things, that the Development be occupied by individuals and families of low and very low income and families of moderate income, and

(ii) that the issuance of the Bonds to finance the Development is undertaken within the authority conferred by the Act and will accomplish a valid public purpose and will provide a public benefit by assisting individuals and families of low and very low income and families of moderate income in the State to obtain decent, safe, and sanitary housing by financing the costs of the Development, thereby helping to maintain a fully adequate supply of sanitary and safe dwelling accommodations at rents that such individuals and families can afford.

Section 3.2--Determination of Eligible Tenants. That the Board has determined, to the extent permitted by law and after consideration of such evidence and factors as it deems relevant, the findings of the staff of the Department, the laws applicable to the Department and the provisions of the Act, that eligible tenants for the Development shall be (1) individuals and families of low and very low income, (2) persons with special needs, and (3) families of moderate income, with the income limits as set forth in the Regulatory Agreement.

Section 3.3--Sufficiency of Mortgage Loan Interest Rate. That the Board hereby finds and determines that the interest rate on the Mortgage Loan established pursuant to the Loan Agreement will produce the amounts required, together with other available funds, to pay for the Department's costs of operation with respect to the Bonds and the Development and enable the Department to meet its covenants with and responsibilities to the holders of the Bonds.

Section 3.4--No Gain Allowed. That, in accordance with Section 2306.498 of the Act, no member of the Board or employee of the Department may purchase any Bond in the secondary open market for municipal securities.

Section 3.5--Waiver of Rules. That the Board hereby waives the rules contained in Chapters 33 and 35, Title 10 of the Texas Administrative Code to the extent such rules are inconsistent with the terms of this Resolution and the bond documents authorized hereunder.

ARTICLE IV

GENERAL PROVISIONS

Section 4.1--Limited Obligations. That the Bonds and the interest thereon shall be special limited obligations of the Department payable solely from the trust estate created under the Indenture, including the revenues and funds of the Department pledged under the Indenture to secure payment of the Bonds, and under no circumstances shall the Bonds be payable from any other revenues, funds, assets or income of the Department.

Section 4.2--Non-Governmental Obligations. That the Bonds 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. Each Bond shall contain on its face a statement to the effect that the State is not obligated to pay the principal thereof or interest thereon and that neither the faith or credit nor the taxing power of the State is pledged, given or loaned to such payment.

Section 4.3--Effective Date. That this Resolution shall be in full force and effect from and upon its adoption.

Section 4.4--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 14th day of June, 2007.

[SEAL]

By: /s/ Elizabeth Anderson
Elizabeth Anderson, Chair

Attest: /s/ Kevin Hamby
Kevin Hamby, Secretary

EXHIBIT A

DESCRIPTION OF DEVELOPMENT

Owner: Windshire Apartments, L.P., a Texas limited partnership

Development: The Development is a 252-unit multifamily facility to be known as Windshire Apartments and located at approximately the 4500 block of S. Shaver, Houston, Harris County, Texas. It will consist of 22 two- and 2 three-story residential apartment buildings with approximately 260,674 net rentable square feet and an average unit size of approximately 1,034 square feet. The unit mix will consist of:

| | |
|----------|---|
| 52 | one-bedroom/one-bath units |
| 112 | two-bedroom/two-bath units |
| 80 | three-bedroom/two-bath units |
| <u>9</u> | three-bedroom/two-and-a-half-bath units |
| 252 | Total Units |

Unit sizes will range from approximately 718 square feet to approximately 1,325 square feet.

Common areas are expected to include a clubhouse, a barbecue area, a playground, and a swimming pool. All units are expected to have central heating and air conditioning, carpeting and vinyl tile, ceiling fans, mini-blinds, a dishwasher, a range and oven, balcony/patio and a garage.



MULTIFAMILY FINANCE PRODUCTION DIVISION

June 14, 2007

Development Information, Public Input and Board Summary

Windshire Apartments, TDHCA Number 07620

PUBLIC COMMENT SUMMARY

Guide: "O" = Oppose, "S" = Support, "N" = Neutral, "NC" or Blank = No comment

State/Federal Officials with Jurisdiction:

TX Senator: Gallegos, District 6 NC US Representative: Green, District 29, NC
TX Representative: Noriega, District 145 NC US Senator: NC

Local Officials and Other Public Officials:

Mayor/Judge: Bill White, Mayor, City of Houston - NC Resolution of Support from Local Government
Donald H. Sampley, Assistant Director, City of Houston
The proposed project for construction of affordable rental housing is consistent with the City of Houston's Consolidated Plan.

Individuals/Businesses: In Support 0 In Opposition 0

Neighborhood Input:

General Summary of Comment:

Public Hearing: The only attendees were members of the Development team.
Number that attended: 6
Number that spoke: 0
Number in support: 6
Number in opposition: 0
Number Neutral: 0

CONDITIONS OF COMMITMENT

Per §49.12(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")."

Receipt, review, and acceptance prior to closing of a letter from the City verifying that the William P. Hobby Airport Hazard Area designation identified in the title commitment will not adversely impact the proposed development area.

Receipt, review, and acceptance prior to closing of an opinion from the syndicator's attorney, the Department's bond counsel or the Department's financial advisor that the transaction as underwritten will qualify for tax credits based upon the bond amount exceeding 50% or more of the development's aggregate basis.

Should the terms or amounts of the bonds or the terms and rates of the proposed syndication ultimately change the transaction should be reevaluated to ensure that the development still meets the Department's guidelines for feasibility and an adjustment to the credit/allocation amount may be warranted.



MULTIFAMILY FINANCE PRODUCTION DIVISION

June 14, 2007

Development Information, Public Input and Board Summary

Windshire Apartments, TDHCA Number 07620

RECOMMENDATION BY THE EXECUTIVE AWARD AND REVIEW ADVISORY COMMITTEE IS BASED ON:

| | | |
|---|----------------|--------------|
| 4% Housing Tax Credits: | Credit Amount: | \$1,195,903 |
| Recommendation: Recommend approval of a Housing Tax Credit Allocation not to exceed \$1,195,903 annually for ten years, subject to conditions. | | |
| TDHCA Bond Issuance: | Bond Amount: | \$14,000,000 |
| Recommendation: Recommend approval of issuance of \$14,000,000 in Tax Exempt Mortgage Revenue Bonds with a variable interest rate and repayment term of 30 years with a 35 year amortization period, subject to conditions. | | |
| HOME Activity Funds: | Loan Amount: | \$0 |
| HOME CHDO Operating Expense Grant: | Grant Amount: | \$0 |
| Recommendation: | | |

Windshire Apartments

Estimated Sources & Uses of Funds

Sources of Funds

| | |
|--------------------------------------|-----------------------------|
| Series 2007 Tax-Exempt Bond Proceeds | \$ 14,000,000 |
| Tax Credit Proceeds | 10,977,161 |
| Deferred Development Fee | 2,947,336 |
| GIC Income | 246,750 |
| Interim NOI | 904,816 |
| Total Sources | <u>\$ 29,076,063</u> |

Uses of Funds

| | |
|---|-----------------------------|
| Acquisition and Site Work Costs | \$ 4,557,982 |
| Direct Hard Construction Costs | 13,758,689 |
| Indirect Construction Costs (Architectural, Engineering, etc) | 2,268,866 |
| Developer Fees and Overhead | 3,325,778 |
| Direct Bond Related | 282,080 |
| Bond Purchase Costs | 588,918 |
| Other Transaction Costs | 4,163,750 |
| Real Estate Closing Costs | 130,000 |
| Total Uses | <u>\$ 29,076,063</u> |

Estimated Costs of Issuance of the Bonds

Direct Bond Related

| | |
|---|--------------------------|
| TDHCA Issuance Fee (.50% of Issuance) | \$ 70,000 |
| TDHCA Application Fee | 11,000 |
| TDHCA Bond Administration Fee (2 years) | 28,000 |
| TDHCA Bond Compliance Fee (\$40 per unit) | 10,080 |
| TDHCA Bond Counsel and Direct Expenses (Note 1) | 85,000 |
| TDHCA Financial Advisor and Direct Expenses | 25,000 |
| Disclosure Counsel (\$5k Pub. Offered, \$2.5k Priv. Placed. See Note 1) | 5,000 |
| Trustee Fee | 9,000 |
| Trustee's Counsel (Note 1) | 5,500 |
| Rating Agency | 13,500 |
| OS Printing/Mailing | 2,000 |
| Attorney General Transcript Fee | 9,500 |
| Texas Bond Review Board Application Fee | 5,000 |
| Texas Bond Review Board Issuance Fee (.025% of Reservation) | 3,500 |
| Total Direct Bond Related | <u>\$ 282,080</u> |

Windshire Apartments

| Bond Purchase Costs | |
|--|---------------------|
| LOC Origination Fee & Expenses | 171,644 |
| LOC Ongoing Fees | 239,774 |
| Bond Amortization Analysis | 40,000 |
| Underwriter's Discount | 105,000 |
| Underwriter's Expenses | 2,500 |
| Underwriter's Counsel | 30,000 |
| Total Bond Purchase Costs | \$ 588,918 |
| Other Transaction Costs | |
| Tax Credit Related Costs | 90,000 |
| Lease-Up Reserves | 200,000 |
| Interest Rate Cap | 300,000 |
| Construction Contingency | 500,000 |
| Soft Construction Costs | 1,967,000 |
| Construction Period Interest | 1,085,000 |
| Miscellaneous | 21,750 |
| Total Other Transaction Costs | \$ 4,163,750 |
| Real Estate Closing Costs | |
| Title and Recording Costs | 130,000 |
| Total Real Estate Costs | \$ 130,000 |
| Estimated Total Costs of Issuance | \$ 5,164,748 |

Costs of issuance of up to two percent (2%) of the principal amount of the Bonds may be paid from Bond proceeds. Costs of issuance in excess of such two percent must be paid by an equity contribution of the Borrower.

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



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 06/03/07 PROGRAM: 4% HTC/MRB FILE NUMBER: 07620

DEVELOPMENT

Windshire Apartments

Location: Approximately 4500 block of South Shaver Road Region: 6
 City: Houston County: Harris Zip: 77036 QCT DDA
 Key Attributes: Multifamily, Family, Urban/Exurban, New Construction

ALLOCATION

| TDHCA Program | REQUEST | | | RECOMMENDATION | | |
|---|--------------|----------|------------|----------------|----------|------------|
| | Amount | Interest | Amort/Term | Amount | Interest | Amort/Term |
| Private Activity Mortgage Revenue Bonds | \$14,000,000 | | | \$14,000,000 | Variable | 35/30 |
| Housing Tax Credit (Annual) | \$1,198,068 | | | \$1,195,903 | | |

The interest rate was underwritten at 6%

CONDITIONS

- 1 Receipt, review, and acceptance prior to closing of a letter from the City verifying that the WILLIAM P. HOBBY AIRPORT Hazard Area designation identified in the title commitment will not adversely impact the proposed development.
- 2 Receipt, review, and acceptance prior to closing of an opinion from the syndicator's attorney, the Department's bond counsel or the Department's financial advisor that the transaction as underwritten will qualify for tax credits based upon the bond amount exceeding 50% or more of the development's aggregate basis.
- 3 Should the terms or amount of the bonds or the terms and rates of the proposed syndication ultimately change the transaction should be reevaluated to ensure that the development still meets the Department's guidelines for feasibility and an adjustment to the credit/allocation amount may be warranted.

SALIENT ISSUES

| TDHCA SET-ASIDES for LURA | | |
|---------------------------|------------|-----------------|
| Income Limit | Rent Limit | Number of Units |
| 60% of AMI | 60% of AMI | 252 |

PROS

The development team has extensive experience with the LIHTC program and multifamily development.

CONS

As underwritten, the bond amount is approximately 51% of the aggregate cost; as a result, the development may be at risk of losing the 4% credits should there be unanticipated costs or cost increases.

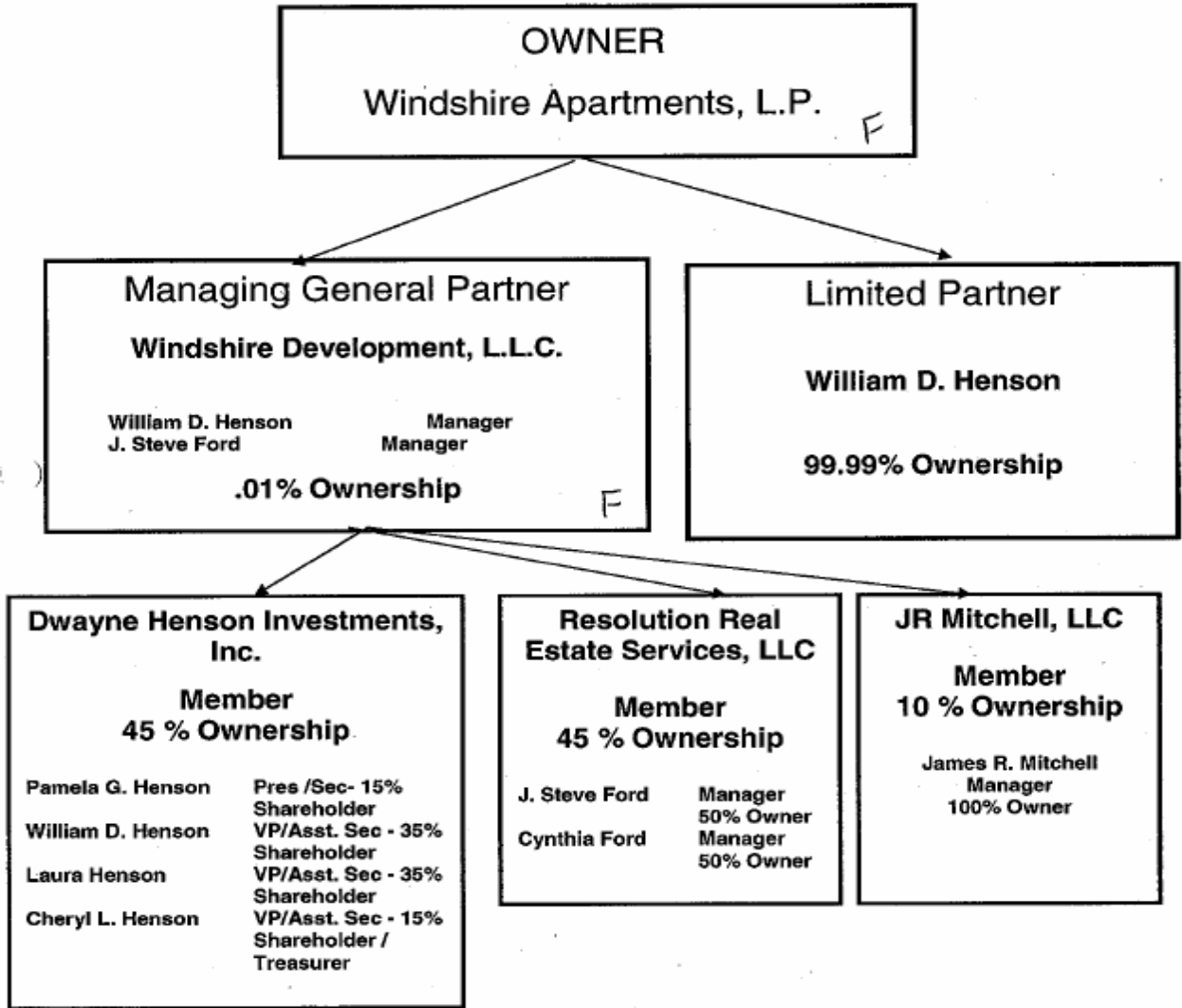
The high level of anticipated deferred developer fee can not be repaid within 10 years but can be projected to be repaid in 15 years.

PREVIOUS UNDERWRITING REPORTS

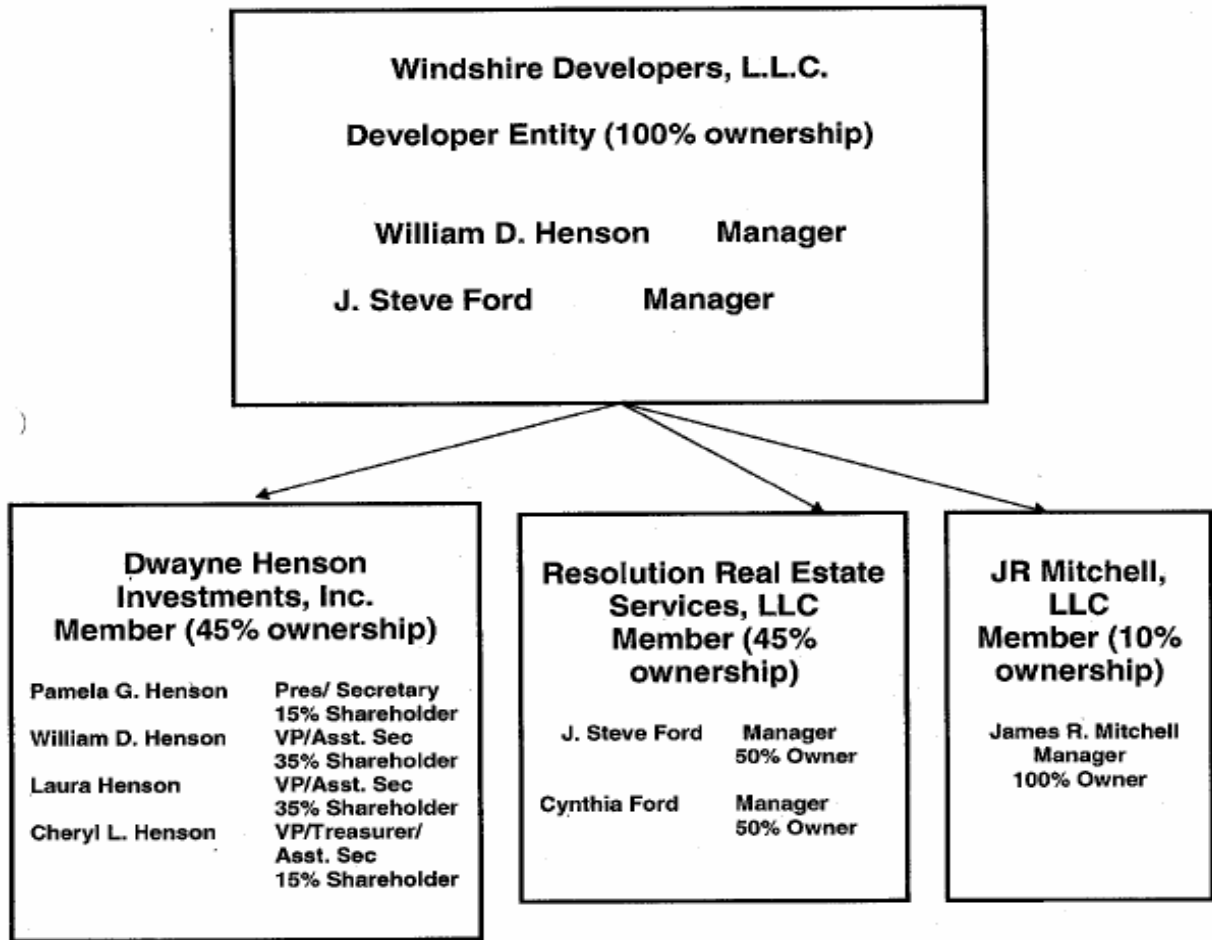
No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



**WINDSHIRE DEVELOPERS, L.L.C. (The Developer)
ORGANIZATIONAL CHART**



CONTACT

Contact: William D Henson Phone: 713.334.5808 Fax: 713.334.5614
 Email: wd_henson@hotmail.com

KEY PARTICIPANTS

| Name | Net Assets | Liquidity ¹ | # of Complete Developments |
|--------------------------------------|--------------|------------------------|--------------------------------|
| Windshire Apartments, LP | \$1,000 | \$1,000 | N/A |
| Windshire Development, LLC | \$1,000 | \$1,000 | N/A |
| Dwayne Henson Investments, Inc | \$13,152,430 | Unclear | N/A |
| William D Henson | Confidential | | 24 LIHTC Developments in Texas |
| Pamela G Henson | Confidential | | 24 LIHTC Developments in Texas |
| Laura Henson | Confidential | | 24 LIHTC Developments in Texas |
| Cheryl L Henson | Confidential | | 24 LIHTC Developments in Texas |
| Resolution Real Estate Services, LLC | \$3,845,000 | \$3,820,000 | N/A |
| J Steve Ford | Confidential | | 34 LIHTC Developments in Texas |
| Cynthia Ford | Confidential | | 34 LIHTC Developments in Texas |
| JR Mitchell, LLC | \$1,000 | \$1,000 | N/A |
| James R Mitchell | Confidential | | 3 LIHTC Developments in Texas |

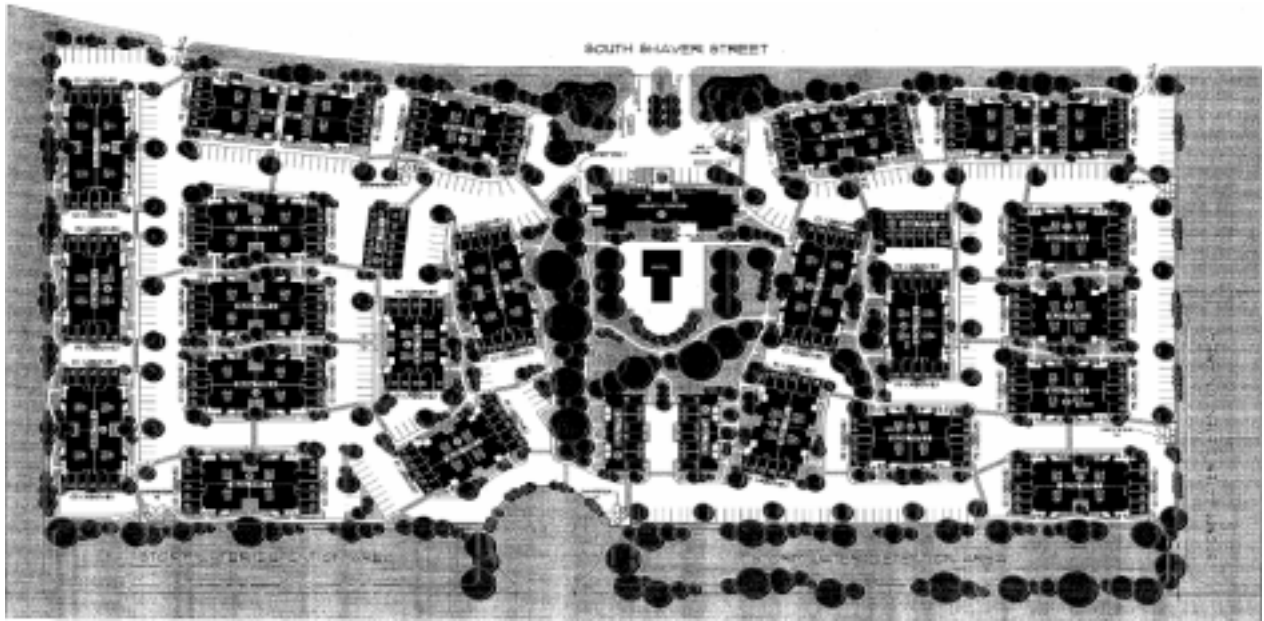
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

The Applicant, Developer, and General Contractor are related entities. These are common relationships for HTC-funded developments. The Developer is also purchasing a larger site than will be used for the development.
 The larger portion will be used for the development and the smaller portion will be held by a related entity and used to construct a detention pond to serve the development. The division of the larger parcel and transfer into two separate related entities is discussed further in the acquisition cost section of the report.

PROPOSED SITE

SITE PLAN



BUILDING CONFIGURATION

| | | | | | | | | | | | |
|----------------|---|---|---|---|---|---|---|--|--|--|-----------------|
| Building Type | 1 | 2 | 3 | 4 | 5 | 6 | 7 | | | | Total Buildings |
| Floors/Stories | 3 | 2 | 2 | 2 | 2 | 2 | 2 | | | | |
| Number | 2 | 4 | 5 | 8 | 1 | 2 | 2 | | | | 24 |

| BR/BA | SF | Units | | | | | | | | | Total Units | Total SF |
|-------|-------|-------|---|---|---|---|--|---|--|--|-------------|----------|
| 1/1 | 718 | 12 | | | | | | | | | 24 | 17,232 |
| 1/1 | 727 | | | | | 2 | | | | | 2 | 1,454 |
| 1/1 | 765 | | | | | 2 | | | | | 2 | 1,530 |
| 1/1 | 773 | | | | | 4 | | | | | 4 | 3,092 |
| 1/1 | 788 | | | | 2 | | | 2 | | | 20 | 15,760 |
| 2/2 | 962 | | 2 | | | 2 | | | | | 10 | 9,620 |
| 2/2 | 980 | 2 | | 2 | | | | | | | 14 | 13,720 |
| 2/2 | 982 | | 2 | | | | | | | | 8 | 7,856 |
| 2/2 | 989 | | 2 | | | | | | | | 8 | 7,912 |
| 2/2 | 999 | | 3 | | | | | | | | 12 | 11,988 |
| 2/2 | 1,008 | 2 | | 2 | | | | | | | 14 | 14,112 |
| 2/2 | 1,009 | | 1 | | | | | | | | 4 | 4,036 |
| 2/2 | 1,025 | 4 | | 4 | | | | | | | 28 | 28,700 |

| BR/BA | SF | Units | | | | | | | | | | Total Units | Total SF |
|--------------------|-------|-------|----|----|----|----|---|----|--|--|--|-------------|----------------|
| 2/2 | 1,037 | 2 | | 2 | | | | | | | | 14 | 14,518 |
| 3/2 | 1,210 | | | | 2 | | | 2 | | | | 20 | 24,200 |
| 3/2 | 1,234 | | | | 4 | | | 2 | | | | 36 | 44,424 |
| 3/2 | 1,239 | | | | 2 | | | 2 | | | | 20 | 24,780 |
| 3/2 | 1,285 | | | | | | | 2 | | | | 4 | 5,140 |
| 3/2 | 1,325 | | | | | | 4 | | | | | 8 | 10,600 |
| Units per Building | | 22 | 10 | 10 | 10 | 10 | 4 | 10 | | | | 252 | 260,674 |

SITE ISSUES

Total Size: 16.4715 acres Scattered site? Yes No
 Flood Zone: Zone X Within 100-yr floodplain? Yes No
 Zoning: No Zoning Needs to be re-zoned? Yes No N/A

TDHCA SITE INSPECTION

Inspector: Multifamily Finance Production Staff Date: 5/8/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: Residential/Commercial East: Residential/Commercial
 South: College Prep School/vacant land West: Shaver Street/Industrial Facility

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: The Murillo Company Date: 4/5/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 The Phase I ESA indicates no recognized environmental concerns.

MARKET HIGHLIGHTS

Provider: O'Connor & Associates Date: 3/29/2007
 Contact: Robert O Coe, II Phone: 713.686.9955 Fax: 713.686.8336
 Number of Revisions: 0 Date of Last Applicant Revision: 3/29/2007

Primary Market Area (PMA): 26.80 Square Miles (* 2.92 Square Miles)

"For the purposes of this report, the subject's primary market area includes those properties within Zip Codes 77034, 77502, 77504, & 77587: Southmore Road to the north; Preston Road to the east; Interstate Highway 45, Canniff Road, Leprechan Road, and Almeda Genoa Road to the west; and FM 1959, Highway 3, Horsepen Bayou, and Space Center Boulevard to the south" (p. 19).

Secondary Market Area (SMA):

The Market Analyst did not use a secondary market area.

| PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS | | | | | | | |
|---|--------|-------------|------------|------|--------|-------------|------------|
| PMA | | | | SMA | | | |
| Name | File # | Total Units | Comp Units | Name | File # | Total Units | Comp Units |
| Kensington Place | 04426 | 216 | 216 | N/A | | | |

| INCOME LIMITS | | | | | | |
|---------------|----------|-----------|-----------|-----------|-----------|-----------|
| Harris | | | | | | |
| % AMI | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| 60 | \$25,620 | \$29,280 | \$32,940 | \$36,600 | \$39,540 | \$42,480 |

| MARKET ANALYST'S PMA DEMAND by UNIT TYPE | | | | | | | |
|--|-----------------|---------------|--------------|--------------|---------------|-------------------------------|--------------|
| Unit Type | Turnover Demand | Growth Demand | Other Demand | Total Demand | Subject Units | Unstabilized Comparable (PMA) | Capture Rate |
| 1 BR/ 60% Rent Limit | 307 | -3 | 0 | 304 | 52 | 46 | 32% |
| 2 BR/ 60% Rent Limit | 267 | -5 | 0 | 262 | 112 | 96 | 80% |
| 3 BR/ 60% Rent Limit | 283 | -5 | 0 | 278 | 88 | 74 | 58% |

| OVERALL DEMAND | | | | | | | | | | | |
|----------------------------------|-------|-------------------|----------------|-----------------|--------|--------|-------|------|-------|------|-------|
| | | Target Households | Household Size | Income Eligible | Tenure | Demand | | | | | |
| PMA DEMAND from TURNOVER | | | | | | | | | | | |
| Market Analyst | p. 72 | 100% | 33,442 | 92% | 30,599 | 13% | 3,900 | 100% | 3,900 | 65% | 2,534 |
| Underwriter | | 100% | 33,582 | 92% | 30,728 | 23% | 6,955 | 56% | 3,916 | 65% | 2,545 |
| PMA DEMAND from HOUSEHOLD GROWTH | | | | | | | | | | | |
| Market Analyst | p. 72 | | | 92% | 192 | 13% | 24 | 100% | 24 | 100% | 24 |
| Underwriter | | | | 92% | 181 | 23% | 38 | 56% | 21 | 100% | 21 |
| DEMAND from OTHER SOURCES | | | | | | | | | | | |
| Market Analyst | p. 71 | | | | | | | | | | 311 |
| Underwriter | | | | | | | | | | | 196 |

| INCLUSIVE CAPTURE RATE | | | | | | | |
|------------------------|-------|---------------|-------------------------------|-----------------------------------|--------------|-----------------------------|------------------------|
| | | Subject Units | Unstabilized Comparable (PMA) | Unstabilized Comparable (25% SMA) | Total Supply | Total Demand (w/25% of SMA) | Inclusive Capture Rate |
| Market Analyst | p. 73 | 252 | 216 | 0 | 468 | 2,869 | 16.31% |
| Underwriter | | 252 | 216 | 0 | 468 | 2,762 | 16.95% |

Primary Market Occupancy Rates:

"The occupancy of the comparable rentals included in this study range from 90% to 98%, with an average occupancy of 92.60%. The average occupancy for comparable apartments in the Primary market area was reported at 88.73% in the most recent O'Connor Data Apartment Database survey (4th quarter 2006). According to the survey, occupancy in the primary market area in December 2006 has increased slightly from the prior quarter. Average occupancy in the primary market area has remained in the upper to mid 80's, or higher, since September 1995. Based on our analysis of the market, moderate increases in occupancy are projected for this market" (p. 41).

Absorption Projections:

"Absorption in the Primary market area over the past twelve quarters ending March 2006 totals (80) units. Absorption has been positive in five of the past twelve quarters. Absorption over the past three years has averaged +/- (7) units per quarter. Absorption has been limited due to the limited recent construction, the high existing occupancy, and renters opting for home purchases due to the low interest rates" (p. 39).

"New construction in or near the subject's neighborhood has been limited over the past 12 - 48 months. The most recent construction was Kensington Place, a 216-unit Family HTC complex completed in June 2006 and is currently 88% occupied and 94% pre-leased, which equates to an average absorption of approximately 24 units per month. Windsor Gardens was completed in September 2004, and was stabilized within one month of completion. The limited amount of new product that entered the market in 2000 through 2007 was readily absorbed. Based on our research, most projects that are constructed in the Greater Houston area typically lease up within 12 months. Pre-leasing should commence prior to the completion of the construction" (p. 39).

"Considering the strong absorption history of similar properties and the lack of available quality affordable units in this market, we project that the subject property will lease an average of 20-25 units per months until achieving stabilized occupancy. We anticipate that the subject property will achieve stabilized occupancy within six to twelve months following completion" (p. 85).

| RENT ANALYSIS (Tenant-Paid Net Rents) | | | | | | | |
|---------------------------------------|---------------|-----------------|-------------|-------------------|---------------------|--|--|
| Unit Type (% AMI) | Proposed Rent | Program Maximum | Market Rent | Underwriting Rent | Savings Over Market | | |
| 1 BR 718 SF 60% | \$601 | \$588 | \$730 | \$588 | \$142 | | |
| 1 BR 727 SF 60% | \$601 | \$588 | \$740 | \$588 | \$152 | | |
| 1 BR 765 SF 60% | \$601 | \$588 | \$755 | \$588 | \$167 | | |
| 1 BR 773 SF 60% | \$601 | \$588 | \$770 | \$588 | \$182 | | |
| 1 BR 788 SF 60% | \$601 | \$588 | \$775 | \$588 | \$187 | | |
| 2 BR 962 SF 60% | \$721 | \$708 | \$920 | \$708 | \$212 | | |
| 2 BR 980 SF 60% | \$721 | \$708 | \$930 | \$708 | \$222 | | |
| 2 BR 982 SF 60% | \$721 | \$708 | \$930 | \$708 | \$222 | | |
| 2 BR 989 SF 60% | \$721 | \$708 | \$935 | \$708 | \$227 | | |
| 2 BR 999 SF 60% | \$721 | \$708 | \$935 | \$708 | \$227 | | |
| 2 BR 1,008 SF 60% | \$721 | \$708 | \$940 | \$708 | \$232 | | |
| 2 BR 1,009 SF 60% | \$721 | \$708 | \$940 | \$708 | \$232 | | |
| 2 BR 1,025 SF 60% | \$721 | \$708 | \$950 | \$708 | \$242 | | |
| 2 BR 1,037 SF 60% | \$721 | \$708 | \$960 | \$708 | \$252 | | |
| 3 BR 1,210 SF 60% | \$823 | \$806 | \$1,140 | \$806 | \$334 | | |
| 3 BR 1,234 SF 60% | \$823 | \$806 | \$1,155 | \$806 | \$349 | | |
| 3 BR 1,239 SF 60% | \$823 | \$806 | \$1,155 | \$806 | \$349 | | |
| 3 BR 1,285 SF 60% | \$823 | \$806 | \$1,180 | \$806 | \$374 | | |
| 3 BR 1,325 SF 60% | \$823 | \$806 | \$1,195 | \$806 | \$389 | | |

Market Impact:

"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. 85).

Comments:

The Department commissioned a market study for the Houston-Baytown-Sugar Land Metropolitan Statistical Area (MSA). The Department's market study for the entire MSA does not incorporate demand from turnover as normally allowed in development specific market studies because in an overall study the demand from turnover returns to all of the units in the market area. A development specific market study identifies the demand from turnover as potential demand that can be attracted away from existing units and to the proposed development (and any other new developments that have not yet become fully occupied.)

The proposed development is located in the Pasadena/Deer Park submarket within the Houston MSA. According to the Department market study; there are -38 units of demand for one-bedroom units at the 60% income level; -55 units of demand for two-bedroom units at the 60% income level; and -29 units of demand for three-bedroom units at the 60% income level (p. III-825). This information is not consistent with the subject market study. However, the Market Analyst has met the Department's guidelines and provides sufficient information on which to base a funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: 0 Date of Last Applicant Revision: N/A

The Applicant's net rents are calculated based upon program gross rent limits less utility allowances for a similar property in the developer's portfolio located in Katy. The Underwriter calculated the net rents using the current utility allowances for new properties maintained by the Houston Housing Authority. This results in a \$44K difference between the Underwriter's and Applicant's estimates. The Applicant's estimates of secondary income and vacancy and collection loss are in line with Department guidelines. Despite the difference in net rents discussed above, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. The tenants will be responsible for electric, water, and sewer costs. The Applicant has indicated that each unit will be metered for water and sewer costs.

Expense: Number of Revisions: 1 Date of Last Applicant Revision: 5/15/2007

The Applicant's total operating expense estimate of \$3,923 per unit is within 5% of the Underwriter's estimate of \$3,969 per unit derived the TDHCA database, IREM data, and other sources. However, the Applicant's estimates of general and administrative expense, repairs and maintenance, and utilities are each significantly different from the Underwriter's estimates. The Underwriter's utility and water, sewer and trash estimates have been adjusted to account for the utility structure.

Conclusion:

The Applicant's estimates of effective gross income, total expense, and net operating income are each within 5% of the Underwriter's estimates. Therefore, the Applicant's Year One proforma is used to determine the development's debt capacity and debt coverage ratio. The proforma results in a DCR within the current Department guideline of 1.15 to 1.35.

Feasibility:

The Underwriter's and Applicant's expense to income ratios are below the Department's 65% maximum. The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 and continued positive cashflow for the Department's minimum 15 year period. Therefore, the development can be characterized as feasible.

ACQUISITION INFORMATION

ASSESSED VALUE

| | | | |
|---------------------------------|------------------|---------------|-------------------|
| Land Only: 21.1 acres | <u>\$883,135</u> | Tax Year: | <u>2006</u> |
| Prorata 1 acre: | <u>\$41,863</u> | Valuation by: | <u>Harris CAD</u> |
| Total Assessed Value: 16.4715 A | <u>\$689,542</u> | Tax Rate: | <u>3.69364</u> |

EVIDENCE of PROPERTY CONTROL

Type: Earnest Money Contract and Amendment Acreage: 21.096
Contract Expiration: 7/31/2007 Valid Through Board Date? Yes No
Acquisition Cost: \$2,100,000 Other: _____
Seller: Polk Crenshaw, LP Related to Development Team? Yes No

TITLE

Comments:

The title commitment indicates that the property lies within the "area designated and zoned by the City of Houston as the WILLIAM P. HOBBY AIRPORT Hazard Area and is subject to the restrictions and regulations imposed by Ordinance No. 70-346, dated March 4, 1970." Receipt, review, and acceptance of a letter from the City verifying that the WILLIAM P. HOBBY AIRPORT Hazard Area designation will not adversely impact the proposed development is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: 2 Date of Last Applicant Revision: 5/30/2007

Acquisition Value:

The Applicant has provided an Earnest Money Contract (with Amendment) indicating an acquisition cost of \$2,100,000. However, the Applicant overstated the site acquisition cost by using \$2,110,482. Moreover, the contract price of \$2,100,000 is for a larger 20.096-acre parcel. Therefore, the Underwriter calculated the land cost by multiplying the per acre cost of \$99,545 times the actual site acreage of 16.4715 acres to achieve a prorated land value of \$1,639,654.

If the Applicant's costs are used in the final evaluation, the sources and uses of funds will be adjusted by the difference in acquisition costs to ensure that tax credit proceeds are not used to fund the portion of the site not being used for the subject development.

Off-Site Cost:

The Applicant claimed off-site costs of \$30,000 for a detention pond to serve the property.

The Applicant has indicated that the portion of the property being developed with the subject is located within the City of Houston; however, the remaining portion of the property (4.6241 acres) is located in the City of Pasadena. The development acreage has been limited to 16.4715 acres in order to limit the development requirements to those of only one city. However, a detention pond serving the subject site will be constructed on the adjacent 4.6241 acres. As such, the costs associated with the construction of the detention pond are ineligible off-site costs. The Applicant provided a third-party verification of the off-site costs.

Sitework Cost:

The Applicant claimed sitework costs over the Department's maximum guideline of \$9,000 per unit and provided sufficient third party certification through a detailed certified cost estimate by Mark S Mucasey, AIA to justify these costs. In addition, these costs have been reviewed by the Applicant's CPA, Reznick Group, to preliminarily estimate that 100% of the sitework costs will be considered eligible. The CPA has not specifically indicated that this opinion of eligibility has taken into account the effect of the IRS Technical Advisory Memorandums on the eligibility of sitework costs but based upon their experience with the tax credit program it has been assumed that they have done so.

Direct Construction Cost:

The Applicant's revised direct construction cost estimate is \$35K or 0.25% lower than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate. The Applicant originally included the off-site cost associated with the construction of the detention pond as an eligible cost; however, upon request by the Underwriter, the Applicant has reallocated this cost to off-sites.

Contingency & Fees:

The Applicant's developer fee exceeds 15% of the Applicant's adjusted eligible basis by \$46,000 and therefore the eligible portion of the Applicant's developer fee must be reduced by the same amount.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$25,412,302 supports annual tax credits of \$1,195,903. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 0 Date of Last Applicant Revision: N/A

Issuer: TDHCA
Source: Citibank - Municipal Securities Division Type: Interim to Permanent Bond Financing

Tax-Exempt: \$14,000,000 Interest Rate: 6.00% Fixed Amort: 420 months

Comments:

The Applicant has reserved \$15,000,000 in Priority 3 Private Activity Bonds with TDHCA as the issuer. However, the Applicant and lender have indicated a bond amount of \$14,000,000. As a result, the transaction has been underwritten assuming that the Applicant will receive a bond allocation of \$14,000,000. Moreover, based on the proforma analysis, the development is currently at the Department's minimum Year One DCR of 1.15, which indicates the development cannot support more than the underwritten debt amount, assuming the lender's rates and terms.

A permanent loan underwriting rate of 6.00% was used by the Underwriter in the analysis which is the same rate indicated by the lender. The loan will be structured as a variable rate loan which at the present time would equal the most recent Securities Industry And Financial Markets Municipal Swap Index (SIFMA; formerly "BMA") rate of 3.85% plus the stack rate of approximately 1.39% and FNMA's traditional cushion of 2.00% would demand an underwriting rate of 7.24% including the cushion compared to an actual rate 5.24% without the cushion. The Stack is composed of FNMA Guaranty 0.40%; FNMA Servicing 0.40%; FNMA Liquidity 0.15%; Issuer (TDHCA) 0.10%; Trustee approximately \$7,000 annually or 0.04%; and remarketing 0.15%.

It is often suggested that the FNMA cushion is overly aggressive in the early years of a transaction since none of this cushion is part of the real rate experienced by the project which will be in the area of 5.24%. It should also be noted that the SIFMA rate remained below 5% for the last 15 years. While the trend for this rate has reflected an increase over the last 12 months the moderate term history would suggest that the SIFMA rate should continue to provide a net interest rate savings to the development which will allow the deferred developer and contractor fees to be repaid quicker than projected in this analysis. In addition, the Applicant has indicated that a cap will be purchased to limit the underlying variable interest rate and the lender's commitment requires a 5 year minimum guarantee.

Source: Boston Capital Type: Syndication

Proceeds: \$10,977,161 Syndication Rate: 92% Anticipated HTC: \$ 1,193,289

Comments:

During the review process, the Applicant revised the development cost schedule to reflect the underwriting applicable percentage for April 2007 (3.62%), which resulted in an increase in the eligible tax credit proceeds. The Applicant raised their tax credit request accordingly. However, the Applicant did not submit a new syndication commitment. The Underwriter has assumed the terms of the syndication commitment and the Applicant's revised request. This results in a slightly higher tax credit equity amount.

Amount: \$1,135,306 Type: GIC/Construction Income

Comments:

The Applicant has estimated \$1,193,289 in proceeds during the construction period and interest earning on the bonds placed in a guaranteed investment contract (GIC) during the construction phase. The Underwriter has included this amount in deferred developer and contractor fees due to the risk associated with this source of funds.

Amount: \$2,997,965 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate, adjusted for the overstate land value, less the permanent loan of \$14,000,000 indicates the need for \$15,110,432 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,642,603 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's revised request (\$1,198,068), the gap-driven amount (\$1,642,603), and eligible basis-derived estimate (\$1,195,903), the Applicant's request of \$1,195,903 is recommended resulting in proceeds of \$11,001,207 based on a syndication rate of 92%.

The Underwriter's recommended financing structure indicates the need for \$3,638,398 in additional permanent funds. Deferred developer and contractor fees in this amount appear to be repayable from development cashflow within 15 years of stabilized operation. However, this amount is 112% of the available developer fee; therefore, the remaining amount must be paid through deferral of contractor fees.

In order to be eligible for 4% tax credits, the tax-exempt bond amount must be equal to or greater the 50% of the aggregate basis of the buildings and land. Based on the Underwriter's estimate, the \$14,000,000 bond amount is approximately 51% to 52% of the development's aggregate basis. If the actual construction cost are driven higher due to unforeseen costs or cost increases, the Applicant may be in jeopardy of losing eligibility for the 4% tax credits, which would render the development infeasible. The Applicant has indicated that they are comfortable with the transaction as structured and they are confident that the 50% test will be met. However, receipt, review, and acceptance prior to closing of an opinion from the syndicators attorney, the Department's bond counsel or the Department's financial advisor that the transaction as underwritten will qualify for tax credits based upon the bond amount exceeding 50% or more of the development's aggregate basis is a condition of this report.

Underwriter: _____ Date: June 3, 2007

Cameron Dorsey

Director of Real Estate Analysis: _____ Date: June 3, 2007

Tom Gouris

MULTIFAMILY COMPARATIVE ANALYSIS

Windshire Apartments, Houston, 4% HTC/MRB #07620

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Rent Collected | Rent per Month | Rent per SF | Tnt-Pd Util | Trash |
|---------------|------------|----------|-----------------|--------------|-----------------|----------------|------------------|---------------|-----------------|----------------|
| TC 60% | 24 | 1 | 1 | 718 | \$686 | \$588 | \$14,112 | \$0.82 | \$98.00 | \$13.31 |
| TC 60% | 2 | 1 | 1 | 727 | \$686 | 588 | 1,176 | 0.81 | 98.00 | 13.31 |
| TC 60% | 2 | 1 | 1 | 765 | \$686 | 588 | 1,176 | 0.77 | 98.00 | 13.31 |
| TC 60% | 4 | 1 | 1 | 773 | \$686 | 588 | 2,352 | 0.76 | 98.00 | 13.31 |
| TC 60% | 20 | 1 | 1 | 788 | \$686 | 588 | 11,760 | 0.75 | 98.00 | 13.31 |
| TC 60% | 10 | 2 | 2 | 962 | \$823 | 708 | 7,080 | 0.74 | 115.00 | 13.31 |
| TC 60% | 14 | 2 | 2 | 980 | \$823 | 708 | 9,912 | 0.72 | 115.00 | 13.31 |
| TC 60% | 8 | 2 | 2 | 982 | \$823 | 708 | 5,664 | 0.72 | 115.00 | 13.31 |
| TC 60% | 8 | 2 | 2 | 989 | \$823 | 708 | 5,664 | 0.72 | 115.00 | 13.31 |
| TC 60% | 12 | 2 | 2 | 999 | \$823 | 708 | 8,496 | 0.71 | 115.00 | 13.31 |
| TC 60% | 14 | 2 | 2 | 1,008 | \$823 | 708 | 9,912 | 0.70 | 115.00 | 13.31 |
| TC 60% | 4 | 2 | 2 | 1,009 | \$823 | 708 | 2,832 | 0.70 | 115.00 | 13.31 |
| TC 60% | 28 | 2 | 2 | 1,025 | \$823 | 708 | 19,824 | 0.69 | 115.00 | 13.31 |
| TC 60% | 14 | 2 | 2 | 1,037 | \$823 | 708 | 9,912 | 0.68 | 115.00 | 13.31 |
| TC 60% | 20 | 3 | 2 | 1,210 | \$951 | 806 | 16,120 | 0.67 | 145.00 | 13.31 |
| TC 60% | 36 | 3 | 2 | 1,234 | \$951 | 806 | 29,016 | 0.65 | 145.00 | 13.31 |
| TC 60% | 20 | 3 | 2 | 1,239 | \$951 | 806 | 16,120 | 0.65 | 145.00 | 13.31 |
| TC 60% | 4 | 3 | 2 | 1,285 | \$951 | 806 | 3,224 | 0.63 | 145.00 | 13.31 |
| TC 60% | 8 | 3 | 2.5 | 1,325 | \$951 | 806 | 6,448 | 0.61 | 145.00 | 13.31 |
| TOTAL: | 252 | | AVERAGE: | 1,034 | | \$717 | \$180,800 | \$0.69 | \$121.97 | \$13.31 |

| INCOME | | Total Net Rentable Sq Ft: | 260,674 | TDHCA | APPLICANT | COUNTY | IREM REGION | COMPT. REGION |
|---|------------------------------|---------------------------|---------|--------------|------------------|---------------|---------------------------|----------------------|
| POTENTIAL GROSS RENT | | | | \$2,169,600 | \$2,213,136 | Harris | Houston | 6 |
| Secondary Income | Per Unit Per Month: | \$15.00 | | 45,360 | 45,360 | \$15.00 | Per Unit Per Month | |
| Other Support Income: | | | | 0 | 0 | \$0.00 | Per Unit Per Month | |
| POTENTIAL GROSS INCOME | | | | \$2,214,960 | \$2,258,496 | | | |
| Vacancy & Collection Loss | % of Potential Gross Income: | -7.50% | | (166,122) | (169,387) | -7.50% | of Potential Gross Income | |
| Employee or Other Non-Rental Units or Concessions | | | | 0 | 0 | | | |
| EFFECTIVE GROSS INCOME | | | | \$2,048,838 | \$2,089,109 | | | |

| EXPENSES | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|--------------------------|-----------------|-----------------|------------------|--------------------|--------------------|------------------|-----------------|-----------------|
| General & Administrative | 4.48% | \$364 | 0.35 | \$91,704 | \$71,500 | \$0.27 | \$284 | 3.42% |
| Management | 5.00% | 407 | 0.39 | 102,442 | 104,455 | 0.40 | 415 | 5.00% |
| Payroll & Payroll Tax | 10.76% | 875 | 0.85 | 220,412 | 238,620 | 0.92 | 947 | 11.42% |
| Repairs & Maintenance | 4.82% | 392 | 0.38 | 98,850 | 131,974 | 0.51 | 524 | 6.32% |
| Utilities | 2.82% | 229 | 0.22 | 57,696 | 28,000 | 0.11 | 111 | 1.34% |
| Water, Sewer, & Trash | 2.75% | 223 | 0.22 | 56,320 | 40,000 | 0.15 | 159 | 1.91% |
| Property Insurance | 3.60% | 293 | 0.28 | 73,755 | 78,200 | 0.30 | 310 | 3.74% |
| Property Tax | 3.69364 | 813 | 0.79 | 204,775 | 201,600 | 0.77 | 800 | 9.65% |
| Reserve for Replacements | 3.07% | 250 | 0.24 | 63,000 | 63,000 | 0.24 | 250 | 3.02% |
| TDHCA Compliance Fees | 0.49% | 40 | 0.04 | 10,080 | 10,080 | 0.04 | 40 | 0.48% |
| Other: Support Services | 1.03% | 84 | 0.08 | 21,168 | 21,168 | 0.08 | 84 | 1.01% |
| TOTAL EXPENSES | 48.82% | \$3,969 | \$3.84 | \$1,000,201 | \$988,597 | \$3.79 | \$3,923 | 47.32% |
| NET OPERATING INC | 51.18% | \$4,161 | \$4.02 | \$1,048,637 | \$1,100,512 | \$4.22 | \$4,367 | 52.68% |

| DEBT SERVICE | % OF EGI | PER UNIT | PER SQ FT | TDHCA | APPLICANT | PER SQ FT | PER UNIT | % OF EGI |
|--|-----------------|-----------------|------------------|-----------------|------------------|------------------|-----------------|-----------------|
| First Lien Mortgage | 46.75% | \$3,801 | \$3.67 | \$957,919 | \$952,000 | \$3.65 | \$3,778 | 45.57% |
| GIC/Construction Income | 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 | 4.43% | \$360 | \$0.35 | \$90,718 | \$148,512 | \$0.57 | \$589 | 7.11% |
| AGGREGATE DEBT COVERAGE RATIO | | | | 1.09 | 1.16 | | | |
| RECOMMENDED DEBT COVERAGE RATIO | | | | | 1.15 | | | |

| 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) | | 5.71% | \$6,507 | \$6.29 | \$1,639,654 | \$2,110,482 | \$8.10 | \$8,375 | 7.25% |
| Off-Sites | | 0.10% | 119 | 0.12 | 30,000 | 30,000 | 0.12 | 119 | 0.10% |
| Sitework | | 8.52% | 9,712 | 9.39 | 2,447,500 | 2,447,500 | 9.39 | 9,712 | 8.41% |
| Direct Construction | | 48.52% | 55,311 | 53.47 | 13,938,279 | 13,903,689 | 53.34 | 55,173 | 47.76% |
| Contingency | 3.23% | 1.84% | 2,103 | 2.03 | 530,000 | 530,000 | 2.03 | 2,103 | 1.82% |
| Contractor's Fees | 13.82% | 7.88% | 8,987 | 8.69 | 2,264,666 | 2,264,666 | 8.69 | 8,987 | 7.78% |
| Indirect Construction | | 3.75% | 4,278 | 4.14 | 1,078,000 | 1,078,000 | 4.14 | 4,278 | 3.70% |
| Ineligible Costs | | 4.57% | 5,205 | 5.03 | 1,311,648 | 1,311,648 | 5.03 | 5,205 | 4.51% |
| Developer's Fees | 15.00% | 11.56% | 13,174 | 12.74 | 3,319,837 | 3,360,648 | 12.89 | 13,336 | 11.54% |
| Interim Financing | | 6.52% | 7,436 | 7.19 | 1,873,799 | 1,873,799 | 7.19 | 7,436 | 6.44% |
| Reserves | | 1.02% | 1,165 | 1.13 | 293,572 | 200,000 | 0.77 | 794 | 0.69% |
| TOTAL COST | | 100.00% | \$113,996 | \$110.20 | \$28,726,955 | \$29,110,432 | \$111.67 | \$115,518 | 100.00% |
| Construction Cost Recap | | 66.77% | \$76,113 | \$73.58 | \$19,180,445 | \$19,145,855 | \$73.45 | \$75,976 | 65.77% |

| SOURCES OF FUNDS | | | | | | | | | |
|---------------------------------|--------|-----------|----------|--|---------------------|---------------------|---------------------|----------------------------|--|
| | | | | | TDHCA | APPLICANT | RECOMMENDED | | |
| First Lien Mortgage | 48.73% | \$55,556 | \$53.71 | | \$14,000,000 | \$14,000,000 | \$14,000,000 | Developer Fee Available | |
| GIC/Construction Income | 3.95% | \$4,505 | \$4.36 | | 1,135,306 | 1,135,306 | 0 | \$3,314,648 | |
| HTC Syndication Proceeds | 38.21% | \$43,560 | \$42.11 | | 10,977,161 | 10,977,161 | 11,001,207 | % of Dev. Fee Deferred | |
| Deferred Developer Fees | 10.44% | \$11,897 | \$11.50 | | 2,997,965 | 2,997,965 | 3,638,398 | 110% | |
| Additional (Excess) Funds Req'd | -1.33% | (\$1,522) | (\$1.47) | | (383,477) | 0 | 0 | 15-Yr Cumulative Cash Flow | |
| TOTAL SOURCES | | | | | \$28,726,955 | \$29,110,432 | \$28,639,604 | \$4,710,642 | |

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Windshire Apartments, Houston, 4% HTC/MRB #07620

DIRECT CONSTRUCTION COST ESTIMATE

*Marshall & Swift Residential Cost Handbook
Average Quality Multiple Residence Basis*

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|--|---------|-------------|----------------|---------------------|
| Base Cost | | | \$54.09 | \$14,098,678 |
| Adjustments | | | | |
| Exterior Wall Finish | 2.40% | | \$1.30 | \$338,368 |
| Elderly | 0.00% | | 0.00 | 0 |
| 9-Ft. Ceilings | 3.00% | | 1.62 | 422,960 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (1.24) | (321,932) |
| Floor Cover | | | 2.43 | 633,438 |
| Breezeways/Balconies | \$24.01 | 26,068 | 2.40 | 625,762 |
| Plumbing Fixtures | \$805 | 700 | 2.16 | 563,500 |
| Rough-ins | \$400 | 504 | 0.77 | 201,600 |
| Built-In Appliances | \$1,850 | 252 | 1.79 | 466,200 |
| Exterior Stairs | \$1,800 | 8 | 0.06 | 14,400 |
| Enclosed Corridors | \$44.17 | 0 | 0.00 | 0 |
| Heating/Cooling | | | 1.90 | 495,281 |
| Garages/Carports | \$25.68 | 52,920 | 5.21 | 1,358,986 |
| Comm &/or Aux Bldgs | \$63.50 | 5,019 | 1.22 | 318,681 |
| Other: fire sprinkler | \$1.95 | 260,674 | 1.95 | 508,314 |
| SUBTOTAL | | | 75.67 | 19,724,236 |
| Current Cost Multiplier | 0.98 | | (1.51) | (394,485) |
| Local Multiplier | 0.89 | | (8.32) | (2,169,666) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | \$65.83 | \$17,160,085 |
| Plans, specs, survy, bld prn | 3.90% | | (\$2.57) | (\$669,243) |
| Interim Construction Interest | 3.38% | | (2.22) | (579,153) |
| Contractor's OH & Profit | 11.50% | | (7.57) | (1,973,410) |
| NET DIRECT CONSTRUCTION COSTS | | | \$53.47 | \$13,938,279 |

PAYMENT COMPUTATION

| | | | |
|----------------|--------------|-------|------|
| Primary | \$14,000,000 | Amort | 420 |
| Int Rate | 6.00% | DCR | 1.09 |

| | | | |
|------------------|-------------|--------------|------|
| Secondary | \$1,135,306 | Amort | |
| Int Rate | | Subtotal DCR | 1.09 |

| | | | |
|-------------------|--------------|---------------|------|
| Additional | \$10,977,161 | Amort | |
| Int Rate | | Aggregate DCR | 1.09 |

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NC

| | |
|-------------------------|------------------|
| Primary Debt Service | \$957,919 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | \$142,593 |

| | | | |
|----------------|--------------|-------|------|
| Primary | \$14,000,000 | Amort | 420 |
| Int Rate | 6.00% | DCR | 1.15 |

| | | | |
|------------------|-------------|--------------|------|
| Secondary | \$1,135,306 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.15 |

| | | | |
|-------------------|--------------|---------------|------|
| Additional | \$10,977,161 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.15 |

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|-------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| POTENTIAL GROSS RENT | \$2,213,136 | \$2,279,530 | \$2,347,916 | \$2,418,353 | \$2,490,904 | \$2,887,641 | \$3,347,567 | \$3,880,747 | \$5,215,400 |
| Secondary Income | 45,360 | 46,721 | 48,122 | 49,566 | 51,053 | 59,185 | 68,611 | 79,539 | 106,894 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 2,258,496 | 2,326,251 | 2,396,038 | 2,467,920 | 2,541,957 | 2,946,825 | 3,416,178 | 3,960,286 | 5,322,294 |
| Vacancy & Collection Loss | (169,387) | (174,469) | (179,703) | (185,094) | (190,647) | (221,012) | (256,213) | (297,021) | (399,172) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | \$2,089,109 | \$2,151,782 | \$2,216,336 | \$2,282,826 | \$2,351,310 | \$2,725,813 | \$3,159,965 | \$3,663,265 | \$4,923,122 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | \$71,500 | \$74,360 | \$77,334 | \$80,428 | \$83,645 | \$101,767 | \$123,815 | \$150,640 | \$222,984 |
| Management | 104,455 | 107,589 | 110,816 | 114,141 | 117,565 | 136,290 | 157,998 | 183,162 | 246,155 |
| Payroll & Payroll Tax | 238,620 | 248,165 | 258,091 | 268,415 | 279,152 | 339,631 | 413,213 | 502,736 | 744,173 |
| Repairs & Maintenance | 131,974 | 137,253 | 142,743 | 148,453 | 154,391 | 187,840 | 228,536 | 278,049 | 411,581 |
| Utilities | 28,000 | 29,120 | 30,285 | 31,496 | 32,756 | 39,853 | 48,487 | 58,992 | 87,322 |
| Water, Sewer & Trash | 40,000 | 41,600 | 43,264 | 44,995 | 46,794 | 56,932 | 69,267 | 84,274 | 124,746 |
| Insurance | 78,200 | 81,328 | 84,581 | 87,964 | 91,483 | 111,303 | 135,417 | 164,756 | 243,879 |
| Property Tax | 201,600 | 209,664 | 218,051 | 226,773 | 235,843 | 286,940 | 349,106 | 424,741 | 628,720 |
| Reserve for Replacements | 63,000 | 65,520 | 68,141 | 70,866 | 73,701 | 89,669 | 109,096 | 132,731 | 196,475 |
| Other | 31,248 | 32,498 | 33,798 | 35,150 | 36,556 | 44,476 | 54,111 | 65,835 | 97,452 |
| TOTAL EXPENSES | \$988,597 | \$1,027,096 | \$1,067,104 | \$1,108,680 | \$1,151,886 | \$1,394,700 | \$1,689,045 | \$2,045,916 | \$3,003,486 |
| NET OPERATING INCOME | \$1,100,512 | \$1,124,686 | \$1,149,231 | \$1,174,145 | \$1,199,424 | \$1,331,113 | \$1,470,919 | \$1,617,349 | \$1,919,636 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | \$957,919 | \$957,919 | \$957,919 | \$957,919 | \$957,919 | \$957,919 | \$957,919 | \$957,919 | \$957,919 |
| 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 | \$142,593 | \$166,767 | \$191,313 | \$216,227 | \$241,506 | \$373,195 | \$513,000 | \$659,430 | \$961,717 |
| DEBT COVERAGE RATIO | 1.15 | 1.17 | 1.20 | 1.23 | 1.25 | 1.39 | 1.54 | 1.69 | 2.00 |

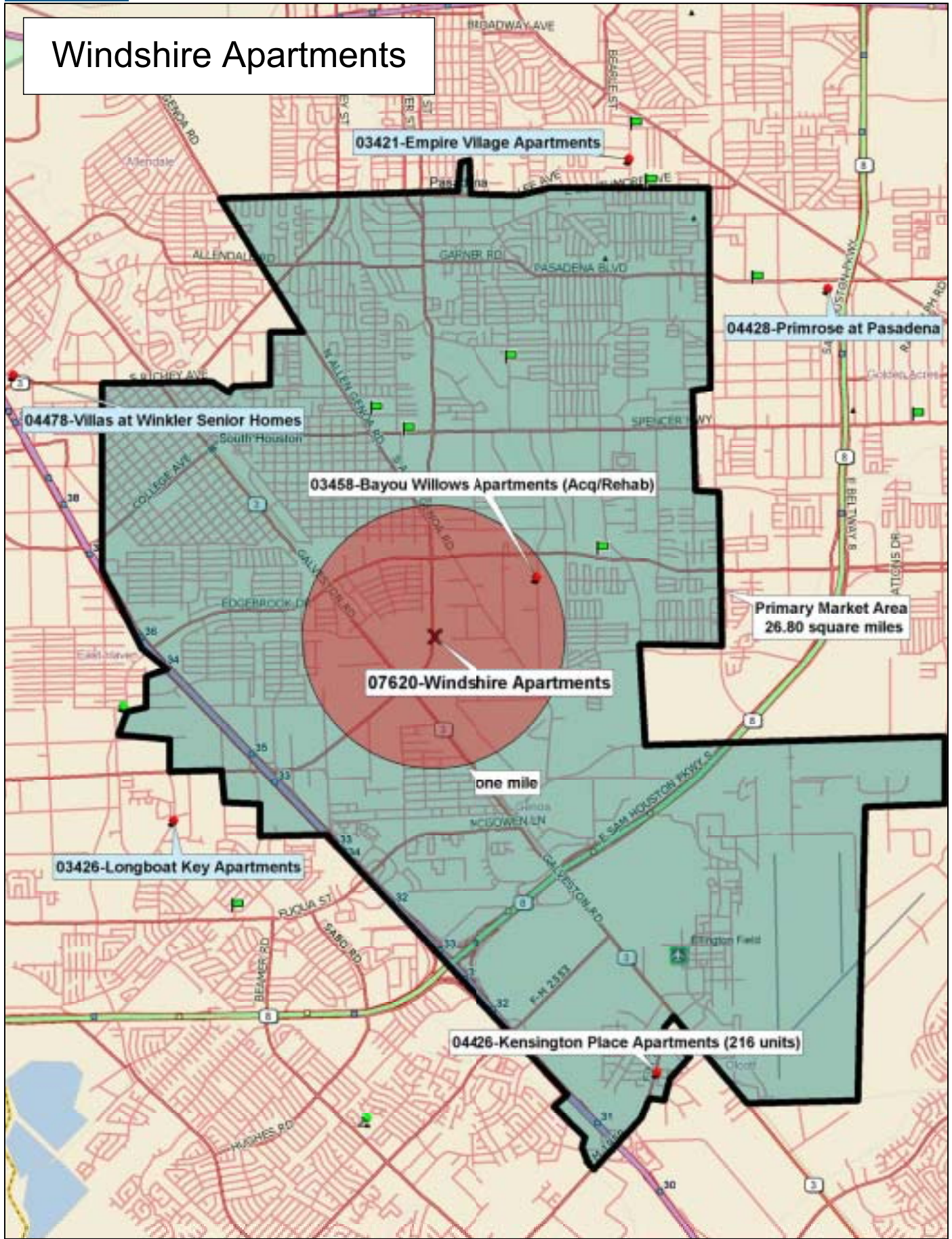
HTC ALLOCATION ANALYSIS -Windshire Apartments, Houston, 4% HTC/MRB #07620

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|--------------------------------|---------------------------------|---------------------------|--|--------------------------------------|
| Acquisition Cost | | | | |
| Purchase of land | \$2,110,482 | \$1,639,654 | | |
| Purchase of buildings | | | | |
| Off-Site Improvements | \$30,000 | \$30,000 | | |
| Sitework | \$2,447,500 | \$2,447,500 | \$2,447,500 | \$2,447,500 |
| Construction Hard Costs | \$13,903,689 | \$13,938,279 | \$13,903,689 | \$13,938,279 |
| Contractor Fees | \$2,264,666 | \$2,264,666 | \$2,264,666 | \$2,264,666 |
| Contingencies | \$530,000 | \$530,000 | \$530,000 | \$530,000 |
| Eligible Indirect Fees | \$1,078,000 | \$1,078,000 | \$1,078,000 | \$1,078,000 |
| Eligible Financing Fees | \$1,873,799 | \$1,873,799 | \$1,873,799 | \$1,873,799 |
| All Ineligible Costs | \$1,311,648 | \$1,311,648 | | |
| Developer Fees | | | \$3,314,648 | |
| Developer Fees | \$3,360,648 | \$3,319,837 | | \$3,319,837 |
| Development Reserves | \$200,000 | \$293,572 | | |
| TOTAL DEVELOPMENT COSTS | \$29,110,432 | \$28,726,955 | \$25,412,302 | \$25,452,081 |

| 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 | | \$25,412,302 | \$25,452,081 |
| High Cost Area Adjustment | | 130% | 130% |
| TOTAL ADJUSTED BASIS | | \$33,035,993 | \$33,087,705 |
| Applicable Fraction | | 100% | 100% |
| TOTAL QUALIFIED BASIS | | \$33,035,993 | \$33,087,705 |
| Applicable Percentage | | 3.62% | 3.62% |
| TOTAL AMOUNT OF TAX CREDITS | | \$1,195,903 | \$1,197,775 |

| | | | |
|--|---------------|---------------------|---------------------|
| Syndication Proceeds | 0.9199 | \$11,001,207 | \$11,018,427 |
| Total Tax Credits (Eligible Basis Method) | | \$1,195,903 | \$1,197,775 |
| Syndication Proceeds | | \$11,001,207 | \$11,018,427 |
| Requested Tax Credits | | \$1,198,068 | |
| Syndication Proceeds | | \$11,021,123 | |
| Gap of Syndication Proceeds Needed | | \$15,110,432 | |
| Total Tax Credits (Gap Method) | | \$1,642,603 | |

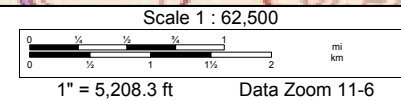
Windshire Apartments



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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

TAX-EXEMPT MULTIFAMILY HOUSING REVENUE BONDS

WINDSHIRE APARTMENTS, L.P.

PUBLIC HEARING

Library
Garfield Elementary School
10301 Hartsook
Houston, Texas
May 8, 2007
6:41 p.m.

BEFORE :

SHANNON ROTH, Multifamily Housing Specialist
Finance Division, TDHCA

ON THE RECORD REPORTING
(512) 450-0342

P R O C E E D I N G S

MS. ROTH: Good evening. My name is Shannon Roth. I'd like to proceed with the public hearing. Let the record show that it's 6:41 p.m., Tuesday, May 8, 2007. We're at the Garfield Elementary School located at 10301 Hartsook, Houston, Texas.

I'm here to conduct the public hearing on behalf of the Texas Department of Housing and Community Affairs with respect to the issuance of tax exempt multifamily revenue bonds for a residential rental community.

The hearing is required by the Internal Revenue Code. The sole purpose of this hearing is to provide a reasonable opportunity for interested individuals to express their views regarding the development and the proposed bond issue.

No decision regarding the development will be made at this hearing. The Department's Board is scheduled to meet and to consider this transaction on June 14, 2007.

In addition to providing your comments at this hearing, the public is also invited to provide comment directly to the Board at any of their meetings.

The Department's staff will also accept written comments from the public up to 5:00 p.m. on June 5, 2007.

The bonds will be issued as tax exempt multifamily revenue bonds in the aggregate principal amount not to exceed 15 million. And taxable bonds, if necessary, in an amount to be determined and issued in one or more series by the Texas Department of Housing and Community Affairs, the issuer.

The proceeds of the bonds will be loaned to Windshire Apartments, L.P., or a related person or affiliate entity thereof, to finance a portion of the cost of acquiring, constructing, and equipping a multifamily rental housing community described as follows: a 252 unit multifamily residential rental development to be constructed on approximately 17 acres of land located at the -- approximately the 4500 block of South Shaver, Harris County, Texas.

The proposed multifamily rental housing community will be initially owned and operated by the borrower, or a related person or affiliate thereof.

I would now like to open the floor to public comment.

(Pause.)

MS. ROTH: Let the record show there are no attendees that wish to make public comment.

Therefore, the meeting is now adjourned, and the time is 6:42 p.m. Thank you.

(Whereupon, the hearing was concluded.)

C E R T I F I C A T E

IN RE: Windshire Apartments, L.P.

LOCATION: Houston, Texas

DATE: May 8, 2007

I do hereby certify that the foregoing pages, numbers 1 through 4, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Leslie Berridge before the Texas Department of Housing and Community Affairs.

05/12/2007

(Transcriber) (Date)

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

Applicant Evaluation

Project ID # **07620**

Name: **Windshire Apartments**

City: **Houston**

LIHTC 9% LIHTC 4% HOME BOND HTF SECO ESGP Other
 No Previous Participation in Texas Members of the development team have been disbarred by HUD

National Previous Participation Certification Received: N/A Yes No

Noncompliance Reported on National Previous Participation Certification: Yes No

Portfolio Management and Compliance

Total # of Projects monitored: 39

Projects in Material Noncompliance

in noncompliance: 0

Projects zero to nine: 36

Yes No

Projects not reported Yes
in application No

grouped ten to nineteen: 2

monitored with a score less than thirty: 39

by score twenty to twenty-nine: 1

not yet monitored or pending review: 12

of projects not reported 0

Portfolio Monitoring

Single Audit

Portfolio Analysis

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Issues found regarding late cert
 Issues found regarding late audit
 Unresolved issues found that warrant disqualification
 (Comments attached)

Not applicable
 No unresolved issues
 Not current on set-ups
 Not current on draws
 Not current on match

Reviewed by Patricia Murphy

Date 5/25/2007

Multifamily Finance Production

HOME

Real Estate Analysis (Workout)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Reviewer Shannon Roth
 Date 5/25/2007

Reviewer Sandy M. Garcia
 Date 5/30/2007

Reviewer D. Burrell
 Date 5/25/2007

Community Affairs

Office of Colonia Initiatives

Financial Administration

No relationship
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

Not applicable
 Review pending
 No unresolved issues
 Unresolved issues found
 Unresolved issues found that warrant disqualification
 (Comments attached)

No delinquencies found
 Delinquencies found

Reviewer EEF
 Date 5/29/2007

Reviewer Raul Gonzales
 Date 6/1/2007

Reviewer Melissa M. Whitehead
 Date 5/30/2007



REQUEST FOR BOARD ACTION Multifamily Finance Production

Private Activity Bond Program – Waiting List

1 Priority 2 Application for 2007 Waiting List

TABLE OF EXHIBITS

| | |
|--------------|---|
| TAB 1 | TDHCA Board Presentation – June 14, 2007 |
| TAB 2 | Summary of Applications |
| TAB 3 | Inducement Resolution |
| TAB 4 | Prequalification Analysis Worksheet |
| TAB 5 | Map of Development Site |

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 14, 2007

Action Item

Presentation, Discussion and Possible Approval of an Inducement Resolution for Multifamily Housing Revenue Bonds and Authorization for Filing Applications for Private Activity Bond Authority – 2007 Waiting List.

Requested Action

Approve the Inducement Resolution to proceed with application submission to the Texas Bond Review Board for possible receipt of State Volume Cap issuance authority from the 2007 Private Activity Bond Program for one (1) application.

Background

Each year, the State of Texas is notified of the allocation amount of private activity tax-exempt revenue bonds that may be issued within the state. Approximately \$402 million is set aside for multifamily until August 15th for the 2007 bond program year. TDHCA has a set aside of approximately \$88 million available for new 2007 applications. There is currently no allocation available. If the Board approves this application, it will be submitted to the Bond Review Board after the sub-ceiling collapse on August 15.

Inducement Resolution 07-015 includes one (1) application that was received on or before May 17, 2007. This application will reserve approximately \$15 million in 2007 state volume cap. Upon Board approval to proceed, the application will be submitted to the Texas Bond Review Board for placement on the 2007 Waiting List. The Board has previously approved twenty three (23) applications for the 2007 program year. Twenty applications have been submitted to the Bond Review Board.

Costa Del Rey Apartments, App. #07625 – The proposed new construction development will consist of 252 units and will target the general population. It will be located at approximately 11543 South Gessner Drive, Houston, Harris County. Demographics for the census tract (4234) include AMFI of \$61,843; the total population is 9,245; the percent of the population that is minority is 87.7%; the number of owner occupied units is 1,901; number of renter occupied units is 1,162; and the number of vacant units is 134. (Census Information from FFIEC Geocoding for 2007). The Department has received no letters of support or opposition.

Recommendation

Approve the Inducement Resolution as presented by staff. Staff will present all appropriate information to the Board for a final determination for the issuance of the bonds and housing tax credits during the full application process for the bond issuance.

Texas Department of Housing and Community Affairs

2007 Multifamily Private Activity Bond Program - Waiting List

| Application # | Development Information | Units | Bond Amount | Developer Information | Comments |
|--|--|------------|----------------------|--|-----------|
| 07625 | Costa Del Rey 11543 S. Gessner Road | 252 | \$ 15,000,000 | Costa Del Rey, Ltd. Debra Guerrero | Recommend |
| Priority 2 | City: Houston County: Harris <i>New Construction</i> | General | Score = 73 | 111 Soledad, Suite 1220 San Antonio, TX 78205 (210) 487-7878 | |
| Totals for Recommended Applications | | 252 | \$ 15,000,000 | | |

RESOLUTION NO. 07-015

RESOLUTION DECLARING INTENT TO ISSUE MULTIFAMILY REVENUE BONDS WITH RESPECT TO RESIDENTIAL RENTAL DEVELOPMENTS; AUTHORIZING THE FILING OF APPLICATIONS FOR ALLOCATIONS OF PRIVATE ACTIVITY BONDS WITH THE TEXAS BOND REVIEW BOARD; AND AUTHORIZING OTHER ACTION RELATED THERETO

WHEREAS, the Texas Department of Housing and Community Affairs (the “Department”) has been duly created and organized pursuant to and in accordance with the provisions of Chapter 2306, Texas Government Code, as amended, (the “Act”) for the purpose, among others, of providing a means of financing the costs of residential ownership, development and rehabilitation that will provide decent, safe, and affordable living environments for persons and families of low, very low and extremely low income and families of moderate income (all as defined in the Act); and

WHEREAS, the Act authorizes the Department: (a) to make mortgage loans to housing sponsors to provide financing for multifamily residential rental housing in the State of Texas (the “State”) intended to be occupied by persons and families of low, very low and extremely low income and families of moderate income, as determined by the Department; (b) to issue its revenue bonds, for the purpose, among others, of obtaining funds to make such loans and provide financing, to establish necessary reserve funds and to pay administrative and other costs incurred in connection with the issuance of such bonds; and (c) to pledge all or any part of the revenues, receipts or resources of the Department, including the revenues and receipts to be received by the Department from such multifamily residential rental development loans, and to mortgage, pledge or grant security interests in such loans or other property of the Department in order to secure the payment of the principal or redemption price of and interest on such bonds; and

WHEREAS, it is proposed that the Department issue its revenue bonds for the purpose of providing financing for multifamily residential rental developments (each a “Development” and collectively, the “Developments”) as more fully described in Exhibit A attached hereto. The ownership of each Development as more fully described in Exhibit A will consist of the ownership entity and its principals or a related person (each an “Owner” and collectively, the “Owners”) within the meaning of the Internal Revenue Code of 1986, as amended (the “Code”); and

WHEREAS, each Owner has made not more than 60 days prior to the date hereof, payments with respect to its respective Development and expects to make additional payments in the future and desires that it be reimbursed for such payments and other costs associated with each respective Development from the proceeds of tax-exempt and taxable obligations to be issued by the Department subsequent to the date hereof; and

WHEREAS, each Owner has indicated its willingness to enter into contractual arrangements with the Department providing assurance satisfactory to the Department that 100 percent of the units of its Development will be occupied at all times by eligible tenants, as determined by the Governing Board of the Department (the “Board”) pursuant to the Act (“Eligible Tenants”), that the other requirements of the Act and the Department will be satisfied and that its Development will satisfy State law, Section 142(d) and other applicable Sections of the Code and Treasury Regulations; and

WHEREAS, the Department desires to reimburse each Owner for the costs associated with its Development listed on Exhibit A attached hereto, but solely from and to the extent, if any, of the proceeds of tax-exempt and taxable obligations to be issued in one or more series to be issued subsequent to the date hereof; and

WHEREAS, at the request of each Owner, the Department reasonably expects to incur debt in the form of tax-exempt and taxable obligations for purposes of paying the costs of each respective Development described on Exhibit A attached hereto; and

WHEREAS, in connection with the proposed issuance of the Bonds (defined below), the Department, as issuer of the Bonds, is required to submit for each Development an Application for Allocation of Private Activity Bonds (the "Application") with the Texas Bond Review Board (the "Bond Review Board") with respect to the tax-exempt Bonds to qualify for the Bond Review Board's Allocation Program in connection with the Bond Review Board's authority to administer the allocation of the authority of the state to issue private activity bonds; and

WHEREAS, the Board intends that the issuance of Bonds for any particular Development is not dependent or related to the issuance of Bonds (as defined below) for any other Development and that a separate Application shall be filed with respect to each Development; and

WHEREAS, the Board has determined to declare its intent to issue its multifamily revenue bonds for the purpose of providing funds to each Owner to finance its Development on the terms and conditions hereinafter set forth; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD THAT:

Section 1--Certain Findings. The Board finds that:

- (a) each Development is necessary to provide decent, safe and sanitary housing at rentals that individuals or families of low and very low income and families of moderate income can afford;
- (b) each Owner will supply, in its Development, well-planned and well-designed housing for individuals or families of low and very low income and families of moderate income;
- (c) the financing of each Development is a public purpose and will provide a public benefit;
- (d) each Owner is financially responsible; and
- (e) each Development will be undertaken within the authority granted by the Act to the Department and each Owner.

Section 2--Authorization of Issue. The Department declares its intent to issue its Multifamily Housing Revenue Bonds (the "Bonds") in amounts estimated to be sufficient to (a) fund a loan or loans to each Owner to provide financing for its Development in an aggregate principal amount not to exceed those amounts, corresponding to each respective Development, set forth in Exhibit A; (b) fund a reserve fund with respect to the Bonds if needed; and (c) pay certain costs incurred in connection with the issuance of the Bonds. Such Bonds will be issued as qualified residential rental development bonds. Final approval of the Department to issue the Bonds shall be subject to: (i) the review by the Department's credit underwriters for financial feasibility; (ii) review by the Department's staff and legal counsel of compliance with federal income tax regulations and state law requirements regarding tenancy in each Development; (iii) approval by the Bond Review Board, if required; (iv) approval by the Attorney General of the State of Texas (the "Attorney General"); (v) satisfaction of the Board that each Development meets the Department's public policy criteria; and (vi) the ability of the Department to issue such Bonds in compliance with all federal and state laws applicable to the issuance of such Bonds.

Section 3--Terms of Bonds. The proposed Bonds shall be issuable only as fully registered bonds in authorized denominations to be determined by the Department; shall bear interest at a rate or rates to be determined by the Department; shall mature at a time to be determined by the Department but in no event later than 40 years after the date of issuance; and shall be subject to prior redemption upon such terms and conditions as may be determined by the Department.

Section 4--Reimbursement. The Department reasonably expects to reimburse each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition of real property and construction of its Development and listed on Exhibit A attached hereto ("Costs of each respective Development") from the proceeds of the Bonds, in an amount which is reasonably estimated to be sufficient: (a) to fund a loan to provide financing for the acquisition and construction or rehabilitation of its Development, including reimbursing each Owner for all costs that have been or will be paid subsequent to the date that is 60 days prior to the date hereof in connection with the acquisition and construction or rehabilitation of its Development; (b) to fund any reserves that may be required for the benefit of the holders of the Bonds; and (c) to pay certain costs incurred in connection with the issuance of the Bonds.

Section 5--Principal Amount. Based on representations of each Owner, the Department reasonably expects that the maximum principal amount of debt issued to reimburse each Owner for the costs of its respective Development will not exceed the amount set forth in Exhibit A which corresponds to its Development.

Section 6--Limited Obligations. The Owner may commence with the acquisition and construction or rehabilitation of its Development, which Development will be in furtherance of the public purposes of the Department as aforesaid. On or prior to the issuance of the Bonds, each Owner will enter into a loan agreement on an installment payment basis with the Department under which the Department will make a loan to the Owner for the purpose of reimbursing each Owner for the costs of its Development and each Owner will make installment payments sufficient to pay the principal of and any premium and interest on the applicable Bonds. The proposed Bonds shall be special, limited obligations of the Department payable solely by the Department from or in connection with its loan or loans to each Owner to provide financing for the Owner's Development, and from such other revenues, receipts and resources of the Department as may be expressly pledged by the Department to secure the payment of the Bonds.

Section 7--The Development. Substantially all of the proceeds of the Bonds shall be used to finance the Developments, each of which is to be occupied entirely by Eligible Tenants, as determined by the Department, and each of which is to be occupied partially by persons and families of low income such that the requirements of Section 142(d) of the Code are met for the period required by the Code.

Section 8--Payment of Bonds. The payment of the principal of and any premium and interest on the Bonds shall be made solely from moneys realized from the loan of the proceeds of the Bonds to reimburse each Owner for costs of its Development.

Section 9--Costs of Development. The Costs of each respective Development may include any cost of acquiring, constructing, reconstructing, improving, installing and expanding the Development. Without limiting the generality of the foregoing, the Costs of each respective Development shall specifically include the cost of the acquisition of all land, rights-of-way, property rights, easements and interests, the cost of all machinery and equipment, financing charges, inventory, raw materials and other supplies, research and development costs, interest prior to and during construction and for one year after completion of construction whether or not capitalized, necessary reserve funds, the cost of estimates and of engineering and legal services, plans, specifications, surveys, estimates of cost and of revenue, other

expenses necessary or incident to determining the feasibility and practicability of acquiring, constructing, reconstructing, improving and expanding the Development, administrative expenses and such other expenses as may be necessary or incident to the acquisition, construction, reconstruction, improvement and expansion of the Development, the placing of the Development in operation and that satisfy the Code and the Act. Each Owner shall be responsible for and pay any costs of its Development incurred by it prior to issuance of the Bonds and will pay all costs of its Development which are not or cannot be paid or reimbursed from the proceeds of the Bonds.

Section 10--No Commitment to Issue Bonds. Neither the Owners nor any other party is entitled to rely on this Resolution as a commitment to issue the Bonds and to loan funds, and the Department reserves the right not to issue the Bonds either with or without cause and with or without notice, and in such event the Department shall not be subject to any liability or damages of any nature. Neither the Owners nor any one claiming by, through or under each Owner shall have any claim against the Department whatsoever as a result of any decision by the Department not to issue the Bonds.

Section 11--No Indebtedness of Certain Entities. The Board hereby finds, determines, recites and declares that the Bonds shall not constitute an indebtedness, liability, general, special or moral obligation or pledge or loan of the faith or credit or taxing power of the State, the Department or any other political subdivision or municipal or political corporation or governmental unit, nor shall the Bonds ever be deemed to be an obligation or agreement of any officer, director, agent or employee of the Department in his or her individual capacity, and none of such persons shall be subject to any personal liability by reason of the issuance of the Bonds.

Section 12--Conditions Precedent. The issuance of the Bonds following final approval by the Board shall be further subject to, among other things: (a) the execution by each Owner and the Department of contractual arrangements providing assurance satisfactory to the Department that 100 percent of the units for each Development will be occupied at all times by Eligible Tenants, that all other requirements of the Act will be satisfied and that each Development will satisfy the requirements of Section 142(d) of the Code (except for portions to be financed with taxable bonds); (b) the receipt of an opinion from Vinson & Elkins L.L.P. or other nationally recognized bond counsel acceptable to the Department, substantially to the effect that the interest on the tax-exempt Bonds is excludable from gross income for federal income tax purposes under existing law; and (c) receipt of the approval of the Bond Review Board, if required, and the Attorney General.

Section 13--Certain Findings. The Board hereby finds, determines, recites and declares that the issuance of the Bonds to provide financing for each Development will promote the public purposes set forth in the Act, including, without limitation, assisting persons and families of low and very low income and families of moderate income to obtain decent, safe and sanitary housing at rentals they can afford.

Section 14--Authorization to Proceed. The Board hereby authorizes staff, Bond Counsel and other consultants to proceed with preparation of each Development's necessary review and legal documentation for the filing of an Application for the 2007 program year and the issuance of the Bonds, subject to satisfaction of the conditions specified in Section 2(i) and (ii) hereof. The Board further authorizes staff, Bond Counsel and other consultants to re-submit an Application that was withdrawn by an Owner so long as the Application is re-submitted within the current or following program year.

Section 15--Related Persons. The Department acknowledges that financing of all or any part of each Development may be undertaken by any company or partnership that is a "related person" to the respective Owner within the meaning of the Code and applicable regulations promulgated pursuant thereto, including any entity controlled by or affiliated with the respective Owner.

Section 16--Declaration of Official Intent. This Resolution constitutes the Department's official intent for expenditures on Costs of each respective Development which will be reimbursed out of the issuance of the Bonds within the meaning of Sections 1.142-4(b) and 1.150-2, Title 26, Code of Federal Regulations, as amended, and applicable rulings of the Internal Revenue Service thereunder, to the end that the Bonds issued to reimburse Costs of each respective Development may qualify for the exemption provisions of Section 142 of the Code, and that the interest on the Bonds (except for any taxable Bonds) will therefore be excludable from the gross incomes of the holders thereof under the provisions of Section 103(a)(1) of the Code.

Section 17--Authorization of Certain Actions. The Department hereby authorizes the filing of and directs the filing of each Application in such form presented to the Board with the Bond Review Board and each director of the Board are hereby severally authorized and directed to execute each Application on behalf of the Department and to cause the same to be filed with the Bond Review Board.

Section 18--Effective Date. This Resolution shall be in full force and effect from and upon its adoption.

Section 19--Books and Records. The Board hereby directs this Resolution to be made a part of the Department's books and records that are available for inspection by the general public.

Section 20--Notice of Meeting. Written notice of the date, hour and place of the meeting of the Board at which this Resolution was considered and of the subject of this Resolution was furnished to the Secretary of State of the State of Texas (the "Secretary of State") and posted on the Internet for at least seven (7) days preceding the convening of such meeting; that during regular office hours a computer terminal located in a place convenient to the public in the office of the Secretary of State was provided such that the general public could view such posting; that such meeting was open to the public as required by law at all times during which this Resolution and the subject matter hereof was discussed, considered and formally acted upon, all as required by the Open Meetings Act, Chapter 551, Texas Government Code, as amended; and that written notice of the date, hour and place of the meeting of the Board and of the subject of this Resolution was published in the Texas Register at least seven (7) days preceding the convening of such meeting, as required by the Administrative Procedure and Texas Register Act, Chapters 2001 and 2002, Texas Government Code, as amended. Additionally, all of the materials in the possession of the Department relevant to the subject of this Resolution were sent to interested persons and organizations, posted on the Department's website, made available in hard-copy at the Department, and filed with the Secretary of State for publication by reference in the Texas Register not later than seven (7) days before the meeting of the Board as required by Section 2306.032, Texas Government Code, as amended.

PASSED AND APPROVED this 4th day of June, 2007.

[SEAL]

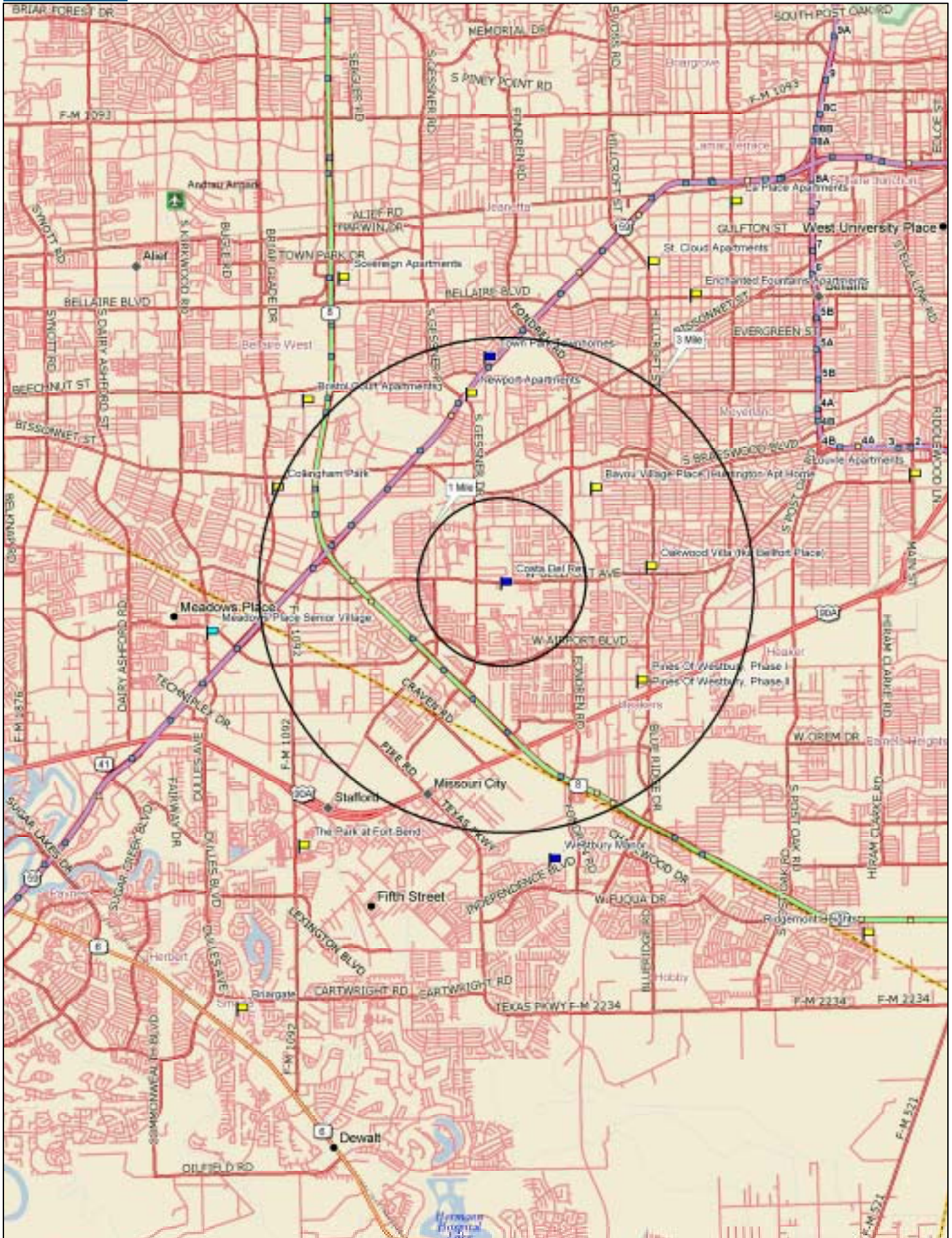
By: /s/ Elizabeth Anderson
Elizabeth Anderson, Chair

Attest: /s/ Kevin Hamby
Kevin Hamby, Secretary

EXHIBIT "A"

Description of each Owner and its Development

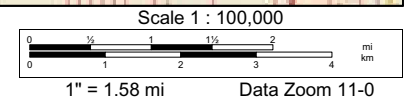
| Project Name | Owner | Principals | Amount Not to Exceed |
|---|--|---|----------------------|
| Costa Del Rey | Costa Del Rey, Ltd., to be formed, or other entity | The General Partner will be NRP Costa Del Rey, LLC, to be formed, or other entity, the principals of which will be J. David Heller and/or Alan F. Scott and/or T. Richard Bailey, Jr. | \$15,000,000 |
| <p>Costs: (i) acquisition of real property located at approximately 11523, 11527 and 11543 South Gessner Drive, Houston, Harris County, Texas; and (ii) the construction thereon of an approximately 252-unit multifamily residential rental housing development, in the amount not to exceed \$15,000,000.</p> | | | |



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TEXAS HOMEOWNERSHIP DIVISION

BOARD ACTION REQUEST

June 14, 2007

Action Items

Presentation, Discussion and Possible approval of a contract amendment with Countrywide Home Loans, Inc., "Countrywide" to reflect reduced Guarantee Fee between the Department and Fannie Mae and Freddie Mac. Countrywide serves as Master Servicer for the Single Family Mortgage Revenue Bond Program.

Required Action

Approve or deny a contract amendment with the Department's Master Servicer, Countrywide Home Loans, Inc.

Background and Recommendations

Summary

From 1980 to 1990, TDHCA serviced loans associated with the issuance of the single family bond program. In 1990, TDHCA began moving away from directly servicing these loans by using a Master Servicer in conjunction with several lenders throughout the State of Texas. These loans are now pooled into certificates and securitized by Governmental National Mortgage Association (Ginnie Mae) and Federal National Mortgage Association (Fannie Mae). At present, approximately 92% of TDHCA's entire mortgage portfolio is non-conventional loans and 8% are conventional loans. The non-conventional loans are securitized by Ginnie Mae and the conventional loans are securitized by Fannie Mae. TDHCA currently has no conventional loans securitized by Freddie Mac although it is permitted to do so under existing bond documents. Both Fannie Mae and Freddie Mac have similar underwriting criteria thus allowing any conventional loan to be securitized by either Fannie Mae or Freddie Mac. Fannie Mae and Freddie Mac cannot securitize a non-conventional loan underwritten with Ginnie Mae criteria. HFAs nationwide have begun to see a movement toward conventional loans due to favorable changes for borrowers that both Fannie Mae and Freddie Mac have made to their underwriting criteria. Over the past 10 months, 30% of TDHCA's new loans have been conventional.

Fannie Mae and Freddie Mac recently offered to reduce the Guarantee Fee they charge if TDHCA establishes a set amount of conventional loans to securitize conventional mortgage loans with Fannie Mae and Freddie Mac. As a result, the TDHCA Board authorized the Executive Director to enter in agreements with both Fannie Mae and Freddie Mac at its April 12, 2007 meeting. In order to receive the benefit of the Guarantee Fee reduction an amendment to the Master Servicer contract must be executed. Approval of the amendment will result in an increase in the servicing release premium received by the Department on all loans purchased under current and future mortgage revenue bond programs.

Recommendation

Staff requests approval of a contract amendment with Countrywide Home Loans, Inc. to reflect reduced Guarantee Fees between the Department and Fannie Mae and Freddie Mac.

TEXAS HOMEOWNERSHIP DIVISION

**BOARD ACTION REQUEST
JUNE 14, 2007**

Action Item

Presentation, Discussion and Possible Approval of the Participating Lender List for Single Family Mortgage Revenue Bond (MRB) Program 69.

Required Action

Approve or deny the Participating Lender List for Program 69.

Background

Summary

Invitations to originate mortgage loans were recently sent out to existing program lenders and to lenders that have recently expressed an interest in participating in MRB Program 69. Although lenders are allowed to sign up to participate at any time throughout the year, additional documents must be executed with each program release. To date, 44 lending institutions have signed up to participate with branch offices located statewide. Requirements for becoming a lender under the program include the following criteria: approval as a FHA, VA, RHS, Fannie Mae or Freddie Mac approved lender, a minimum net worth of \$400,000, a warehouse line of credit of at least \$1 million and the lender must have had a loan origination office in Texas for one year.

In an effort to create a well trained and knowledgeable participating lender network, mandatory lender training was implemented with the release of this program for lenders desiring to have their contact information listed on the program's participating lender list. A series of lender trainings were conducted in several cities across the state from May 14th – 17th. Internet based trainings are also being offered by the program's Master Servicer from June 5th – 21st for those lenders unable to attend the live trainings. To date, over 400 participants who staff the 44 institutions branch offices have attended or have registered for the web trainings. We recommend that the following list of lenders be approved by the Board.

| <u>LENDER NAME</u> | <u>ADDRESS</u> | <u>CITY</u> | <u>STATE</u> |
|---------------------------------|-------------------------------|--------------------|---------------------|
| Amarillo National Bank | 7205 I-40 West, Suite G | Amarillo | TX |
| Amcap Mortgage, Ltd. | 2539 S. Gessner, Ste. 20 | Houston | TX |
| American Bank | 5120 South Padre Island Drive | Corpus Christi | TX |
| American Home Mortgage Corp. | 7142 Columbia Gateway Dr. | Columbia | MD |
| Capital One, N.A. | 11130 Industriplex Blvd. | Baton Rouge | LA |
| City Bank Mortgage | 5815 82nd St., Ste. 120 | Lubbock | TX |
| Coastal Bend Mortgage, Inc. dba | | | |
| Global Mortgage Group | 5656 South Staples, Ste. 200 | Corpus Christi | TX |
| Colonial Savings, F.A./Colonial | | | |
| National Mortgage | 2626A West Freeway | Fort Worth | TX |
| *Community Development | | | |
| Corporation of Brownsville | 901 East Levee St. | Brownsville | TX |
| Cornerstone Mortgage Company | 1177 West Loop South, Ste 200 | Houston | TX |
| Countrywide Home Loans, Inc. | 6400 Legacy Dr. MS PTX 80 | Plano | TX |
| CTX Mortgage Co. | 1603 LBJ Freeway, Ste 500 | Dallas | TX |
| DHI Mortgage Co., Ltd. | 12357 Riata Trace Pkwy C-150 | Austin | TX |
| Falcon International Bank | 212 Bob Bullock Loop | Laredo | TX |

| <u>LENDER NAME</u> | <u>ADDRESS</u> | <u>CITY</u> | <u>STATE</u> |
|--|--|--------------------|---------------------|
| First Horizon Home Loan Corporation | 4000 Horizon Way | Irving | TX |
| First National Bank Texas dba First Community Mortgage | 2102 S. WS Young Drive, Ste E | Killeen | TX |
| Hammersmith Financial, LP | 7850 N. Sam Houston Pkwy West | Houston | TX |
| Home Loan Corporation | 450 Gears Rd., Ste. 600 | Houston | TX |
| Hometrust Mortgage Company | 5353 W. Alabama, Ste. 500 | Houston | TX |
| International Bank of Commerce | 1 S. Broadway | McAllen | TX |
| Judith O. Smith Mtg. Group, Inc. | 6125 I-20, Ste 140 | Fort Worth | TX |
| Legacy Financial Group, Inc. | 1205 W. Abram Street | Arlington | TX |
| Market Street Mortgage Corp. | 2650 McCormick Dr., Ste. 200 | Clearwater | FL |
| Mission Mortgage of Texas, Inc. | 901 South Mopac Expwy, Ste. 120 | Austin | TX |
| Network Funding, LP | 9700 Richmond Ave., Ste 320 | Houston | TX |
| National Bank | 4103 E. Cen Tex Expwy. | Killeen | TX |
| National City Mortgage | 3232 Newmark Drive | Miamisburg | OH |
| New South Federal Savings Bank | 1900 Crestwood Blvd., MS 30830 | Birmingham | AL |
| NTFN, Inc. | 5301 Village Creek Dr., Ste. B | Plano | TX |
| Orange Savings Bank | 812 N. 16th Street | Orange | TX |
| PrimeWest Mortgage Corp. | 7806 Indiana Ave. | Lubbock | TX |
| Pulaski Mortgage Company | 1705 Forest Ridge Dr. | Bedford | TX |
| Residential Home Lending | 105 Decker Ct., Ste 1050 | Irving | TX |
| Rocky Mountain Mortgage Co. | 2244 Trawood, Ste. 100 | El Paso | TX |
| Ryland Mortgage Company | 6300 Canoga Ave., 14 th Fl/ | Woodland Hills | CA |
| Shelter Mortgage LLC (Subsidiary of Guaranty Bank - Milwaukee, WI) | 4000 W. Brown Deer Road | Milwaukee | WI |
| Universal American Mortgage Co. | 311 Park Place Blvd., Ste. 600 | Clearwater | FL |
| Valley Mortgage Company, Inc. | 1319 N. 10th St. | McAllen | TX |
| Wachovia Mortgage Corp. | 401 S. Tryon St. NC-1088 Ste. 2200 | Charlotte | NC |
| Wells Fargo Home Mortgage | 1595 Spruce Street MAC X0601-015 | Riverside | CA |
| Whitney National Bank | 7910 Main Street | Houma | LA |
| Willow Bend Mortgage | 5800 W. Plano Pkwy., Ste. 105 | Plano | TX |
| WR Starkey Mortgage, LLP | 5055 W. Park Blvd., Ste. 300 | Plano | TX |

*Lender has outstanding program performance issues with the Portfolio Management and Compliance Division. Pending resolution, the lender will be allowed to originate mortgage loans under Single Family Mortgage Revenue Bond Program 69.

Recommendation

Staff recommends approval of the Participating Lender List for Single Family Mortgage Revenue Bond Program 69.

HOME DIVISION

BOARD ACTION REQUEST

June 14, 2007

Action Item

Presentation, discussion and possible approval of HOME Division award recommendation for disaster relief for Starr County in the amount of \$514,800.

Required Action

Approval of 2006 HOME Owner Occupied Housing Assistance Program award recommendation for disaster relief for Starr County in the amount of \$514,800.

Background

On September 13, 2006, heavy rainfall and flooding hit Starr County. TDHCA assisted in the Preliminary Damage Assessments (PDA's) conducted by the Governor's Division of Emergency Management (GDEM) during September 15, 2006 through September 19, 2006. Although the area was not declared a State disaster area, on September 20, 2006, TDHCA received a letter from Governor Rick Perry recognizing that a disaster had occurred and requested that the Department make available any assistance to the citizens of Starr County for which the county may be eligible under emergency conditions. On September 26, 2006, the Department notified Starr County officials of the Department's HOME Program. Technical assistance for completing and submitting an application was also offered. The following application was received and processed. The application has been thoroughly reviewed for eligibility. Section 2306.057, Texas Government Code, requires an assessment of the applicant and any affiliate of the applicant be conducted to identify the history with respect to all applicable requirements. The organizational structure of this applicant has been reviewed by the Department and the review did not identify any issues that would warrant disqualification or material noncompliance. Starr County is recommended for funding under the 2006 HOME Program rules and the award is in accordance with 10 TAC Chapter 1 §1.19, Deobligated Funds, adopted by the Board on April 12, 2007.

| Application # | Applicant Name | Project Funds Requested and Recommended | Admin. Funds Requested and Recommended | # of Units Proposed |
|----------------------|-----------------------|--|---|----------------------------|
| 2006-0221 DR | Starr County | \$ 495,000.00 | \$ 19,800.00 | 10 |
| Total | | \$ 495,000.00 | \$ 19,800.00 | 10 |

Recommendation

Staff recommends the HOME Program application be awarded. Staff also requests and recommends approval of 4% of project funds for program administration.

**COMMUNITY AFFAIRS DIVISION
BOARD ACTION REQUEST
June 14, 2007**

Action Item

Presentation, review, and possible approval of the draft Program Year (PY) 2008 Low Income Home Energy Assistance Program (LIHEAP) State Plan for posting to the TDHCA website and Public Comment.

Required Action

Review and approval from the Board of the draft PY 2008 LIHEAP State Plan.

Background

The Texas Department of Housing and Community Affairs (the Department) develops and submits a Low Income Home Energy Assistance Program (LIHEAP) plan each year on or before September 1 to the U.S. Department of Health and Human Services (HHS). HHS provides a model plan to guide the format and content, which the Department follows. The Department develops the plan, with review and comment by Energy Assistance (EA) staff, the Community Affairs Division Director, Legal Services, the Financial Services Division, and Executive. The draft approved by the Board today will be released for public comment and a public hearing. The public hearing provides opportunity for comments from the public as well as the subrecipient network. Upon completion of the public hearing and public comment period, EA staff modifies the plan based on public comment. Staff will present the revised plan to the Board for review and final approval on July 30, or August 9, 2007. Staff recommends that if the Department does not receive significant public comment, the Board grant the Executive Director the authority to submit the State Plan to the U.S. Department of Health and Human Services.

Summary of Programs

LIHEAP is comprised of two primary programs as described below.

Comprehensive Energy Assistance Program (CEAP) provides utility assistance to eligible client households. Additionally, some households can qualify for repair and/or replacement of inefficient heating and cooling unit or appliances in their household. An applicant seeking utility assistance applies to the CEAP subrecipient for assistance. The subrecipient determines income-eligibility, prioritizes status (this includes a review of billing history to determine energy burden and consumption), and determines which CEAP component is most appropriate for that eligible applicant. There are currently 50 subrecipient agencies that administer the CEAP program.

Subrecipients utilize the LIHEAP Weatherization (WAP) funding to provide cost effective weatherization measures to improve the energy efficiency of eligible client households. Typical weatherization measures include attic and wall insulation, weather-stripping and

air sealing measures, heating and cooling unit repair and/or replacement, refrigerator replacement, and minor roof repair. Potential WAP client households apply for assistance with the WAP subrecipient. The subrecipient determines if the household is income-eligible and whether they meet one or more of the priority groups. Typically, if the applicant is determined eligible, the applicant is placed on a waiting list. Statewide the weatherization waiting list exceeds 14,000 households.

As scheduling allows, the subrecipient conducts an energy assessment on the applicant's home and results are entered into an energy audit to determine if weatherization measures are appropriate. If the applicant is still income eligible, the subrecipient weatherizes the client's home. The weatherization work typically is performed by an independent contractor procured through competition and with whom the subrecipient has contracted. There are currently 34 subrecipient agencies that administer the WAP program.

In keeping with the intent of the LIHEAP Legislation, subrecipients are primarily Community Action Agencies who administer the Community Services Block Grant (CSBG) programs. Occasionally, nonprofits, and units of local governments have been added to the network in order to ensure efficient and effective delivery of services to all areas of the state.

Thirty-one subrecipients administer CEAP and WAP funding.
 Eighteen subrecipients administer CEAP funding only.
 Three subrecipients administer WAP funding only.

The Department assisted over 104,000 households in PY 2006 with LIHEAP funding (weatherization final reports due 5/31/2007 will increase the total).

Highlights of the Plan

- The format of the plan follows the "model plan" as provided by LIHEAP.
- Eligibility determination is still at 125% of Federal Poverty Income Guidelines.

Funding Formula

TDHCA determines the budget allocation proportions by county and subrecipient, based on poverty income, elderly poverty, local available services, median household income (2000 U.S. Census), and climate data (Southern Regional Climate Center, Louisiana State University, June 2002). The five factors used in the formula are calculated as follows:

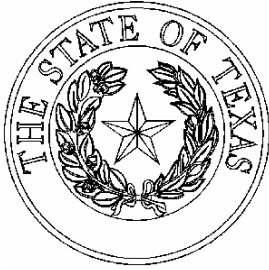
| Fund Allocation Factors | Percentage |
|--|-------------------|
| Households in poverty with at least 1 member 64 years of age or younger. | 40 |
| Households in poverty with at least one member 65 years of age or older. | 40 |
| Household density as an inverse ratio. | 5 |
| Median income of the county. | 5 |
| Weather factor based on heating degree days and cooling degree days. | 10 |

All demographic factors are based on the 2000 U.S. Census.

Recommendation

Staff recommends board approval of the State of Texas draft PY 2008 LIHEAP State Plan. In the event that the Department does not receive significant public comment, the Board grant the Executive Director the authority to submit the State Plan to the U.S. Department of Health and Human Services.

**LOW INCOME HOME ENERGY ASSISTANCE PROGRAM
(LIHEAP)**



DETAILED PLAN

PUBLIC LAW 97-35, AS AMENDED

FISCAL YEAR (FY) 2008

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

EIN:17426105429

**ADDRESS:.....P.O. Box 13941
.....Austin, TX 78711-3941**

NAME OF LIHEAP COORDINATOR: ...Amy Oehler

EMAIL:.....amy.oehler@tdhca.state.tx.us

TELEPHONE: (512) 475-3864 FAX: (512) 475-3935

PLEASE CHECK ONE: TRIBE STATE INSULAR AREA

**[Department of Health and Human Services](#)
Administration for Children and Families
Office of Community Services
Washington, DC 20447**

August 1987, revised 05/92, 02/95, 03/96, 12/98, 11/01

OMB Approval No. 0970-0075

Expiration Date: 10/31/2008

THE PAPERWORK REDUCTION ACT OF 1995 (Pub. L. 104-13)

Use of this model plan is optional. However, the information requested is required in order to receive a Low Income Home Energy Assistance Program (LIHEAP) grant in years in which the grantee is not permitted to file an abbreviated plan. Public reporting burden for this collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, gathering and maintaining the data needed, and reviewing the collection of information. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a currently valid OMB control number.

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Assurances

The Texas Department of Housing & Community Affairs agrees to:

(Grantee Name)

- (1) use the funds available under this title to--
- (A) conduct outreach activities and provide assistance to low income households in meeting their home energy costs, particularly those with the lowest incomes that pay a high proportion of household income for home energy, consistent with paragraph (5);
 - (B) intervene in energy crisis situations;
 - (C) provide low-cost residential weatherization and other cost-effective energy-related home repair; and
 - (D) plan, develop, and administer the State's program under this title including leveraging programs,

and the State agrees not to use such funds for any purposes other than those specified in this title;

- (2) make payments under this title only with respect to--
- (A) households in which one or more individuals are receiving--
 - (i) assistance under the State program funded under part A of title IV of the Social Security Act;
 - (ii) supplemental security income payments under title XVI of the Social Security Act;
 - (iii) food stamps under the Food Stamp Act of 1977; or
 - (iv) payments under section 415, 521, 541, or 542 of title 38, United States Code, or under section 306 of the Veterans' and Survivors' Pension Improvement Act of 1978; or
 - (B) households with incomes which do not exceed the greater of—
 - (i) an amount equal to 150 percent of the poverty level for such State; or
 - (ii) an amount equal to 60 percent of the State median income;

except that a State may not exclude a household from eligibility in a fiscal year solely on the basis of household income if such income is less than 110 percent of the poverty level for such State, but the State may give priority to those households with the highest home energy costs or needs in relation to household income.

- (3) conduct outreach activities designed to assure that eligible households, especially households with elderly individuals or disabled individuals, or both, and households with high home energy burdens, are made aware of the assistance available under this title, and any similar energy-related assistance available under subtitle B of title VI (relating to community services block grant program) or under any other provision of law which carries out programs which were administered under the Economic Opportunity Act of 1964 before the date of the enactment of this Act;

- (4) coordinate its activities under this title with similar and related programs administered by the Federal Government and such State, particularly low-income energy-related programs under subtitle B of title VI (relating to community services block grant program), under the supplemental security income program, under part A of title IV of the Social Security Act, under title XX of the Social Security Act, under the low-income weatherization assistance program

under title IV of the Energy Conservation and Production Act, or under any other provision of law which carries out programs which were administered under the Economic Opportunity Act of 1964 before the date of the enactment of this Act;

(5) provide, in a timely manner, that the highest level of assistance will be furnished to those households which have the lowest incomes and the highest energy costs or needs in relation to income, taking into account family size, except that the State may not differentiate in implementing this section between the households described in clauses 2(A) and 2(B) of this subsection;

(6) to the extent it is necessary to designate local administrative agencies in order to carry out the purposes of this title, to give special consideration, in the designation of such agencies, to any local public or private nonprofit agency which was receiving Federal funds under any low-income energy assistance program or weatherization program under the Economic Opportunity Act of 1964 or any other provision of law on the day before the date of the enactment of this Act, except that—

(A) the State shall, before giving such special consideration, determine that the agency involved meets program and fiscal requirements established by the State; and

(B) if there is no such agency because of any change in the assistance furnished to programs for economically disadvantaged persons, then the State shall give special consideration in the designation of local administrative agencies to any successor agency which is operated in substantially the same manner as the predecessor agency which did receive funds for the fiscal year preceding the fiscal year for which the determination is made;

(7) if the State chooses to pay home energy suppliers directly, establish procedures to --

(A) notify each participating household of the amount of assistance paid on its behalf;

(B) assure that the home energy supplier will charge the eligible household, in the normal billing process, the difference between the actual cost of the home energy and the amount of the payment made by the State under this title;

(C) assure that the home energy supplier will provide assurances that any agreement entered into with a home energy supplier under this paragraph will contain provisions to assure that no household receiving assistance under this title will be treated adversely because of such assistance under applicable provisions of State law or public regulatory requirements; and

(D) ensure that the provision of vendor payments remains at the option of the State in consultation with local grantees and may be contingent on unregulated vendors taking appropriate measures to alleviate the energy burdens of eligible households, including providing for agreements between suppliers and individuals eligible for benefits under this Act that seek to reduce home energy costs, minimize the risks of home energy crisis, and encourage regular payments by individuals receiving financial assistance for home energy costs;

(8) provide assurances that,

(A) the State will not exclude households described in clause (2)(B) of this subsection from receiving home energy assistance benefits under clause (2), and

(B) the State will treat owners and renters equitably under the program assisted under this title;

(9) provide that--

(A) the State may use for planning and administering the use of funds under this title an amount not to exceed 10 percent of the funds payable to such State under this title for a fiscal year; and

(B) the State will pay from non-Federal sources the remaining costs of planning and administering the program assisted under this title and will not use Federal funds for such remaining cost (except for the costs of the activities described in paragraph (16));

(10) provide that such fiscal control and fund accounting procedures will be established as may be necessary to assure the proper disbursement of and accounting for Federal funds paid to the State under this title, including procedures for monitoring the assistance provided under this title, and provide that the State will comply with the provisions of chapter 75 of title 31, United States Code (commonly known as the "Single Audit Act");

(11) permit and cooperate with Federal investigations undertaken in accordance with section 2608;

(12) provide for timely and meaningful public participation in the development of the plan described in subsection (c);

(13) provide an opportunity for a fair administrative hearing to individuals whose claims for assistance under the plan described in subsection (c) are denied or are not acted upon with reasonable promptness; and

(14) cooperate with the Secretary with respect to data collecting and reporting under section 2610.

(15) * beginning in fiscal year 1992, provide, in addition to such services as may be offered by State Departments of Public Welfare at the local level, outreach and intake functions for crisis situations and heating and cooling assistance that is administered by additional State and local governmental entities or community-based organizations (such as community action agencies, area agencies on aging and not-for-profit neighborhood-based organizations), and in States where such organizations do not administer functions as of September 30, 1991, preference in awarding grants or contracts for intake services shall be provided to those agencies that administer the low-income weatherization or energy crisis intervention programs.

*** This assurance is applicable only to States, and to territories whose annual regular LIHEAP allotments exceed \$200,000. Neither territories with annual allotments of \$200,000 or less nor Indian tribes/tribal organizations are subject to Assurance 15.**

(16) use up to 5 percent of such funds, at its option, to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance, including needs assessments, counseling, and assistance with energy vendors, and report to the Secretary concerning the impact of such activities on the number of households served, the level of direct benefits provided to those households, and the number of households that remain unserved.

Certification to the Assurances

As Chief Executive Officer, I agree to comply with the sixteen assurances contained in Title XXVI of the Omnibus Budget Reconciliation Act of 1981, as amended. By signing these assurances, I also agree to abide by the standard assurances on lobbying, debarment and suspension, and a drug-free workplace.

Signature of the Tribal or Board Chairperson or Chief Executive Officer of the State or Territory.

Signature: _____

Title: Executive Director

Date: _____

The Governor of Texas has delegated the responsibility of signing this document to the Executive Director of the Texas Department of Housing and Community Affairs. A copy of the letter is attached.

The EIN (Entity Identification Number) of the Texas Department of Housing & Community Affairs, which receives the grant funds, appears on the cover of this application.

In the above assurances which are quoted from the law, "State" means the 50 States, the District of Columbia, an Indian Tribe or Tribal Organization, or a Territory; "title" of the Act refers to Title XXVI of the Omnibus Budget Reconciliation Act of 1981 (OBRA), as amended, the "Low Income Home Energy Assistance Act"; "section" means Section 2605 of OBRA; and, "subsection" refers to Section 2605(b) of OBRA.

Components Operated Under LIHEAP

[Statutory references](#)

| | |
|-----------------------|---|
| 2605(a) 2605(b)(1) | ➔ Please check which components you will operate under the LIHEAP program. (Note: You must provide information for each component designated here as requested elsewhere in this plan.) |
|-----------------------|---|

Use of Funds

| | Program Component | Dates of Operation |
|-------------------------------------|---------------------------|---------------------|
| <input checked="" type="checkbox"/> | heating assistance | December – February |
| <input checked="" type="checkbox"/> | cooling assistance | March – November |
| <input checked="" type="checkbox"/> | crisis assistance | January - December |
| <input checked="" type="checkbox"/> | weatherization assistance | April - March |

| | | |
|---------------|---|--|
| 2605(c)(1)(C) | ➔ Please estimate what amount of available LIHEAP funds will be used for each component that you will operate: The total of all percentages must add up to 100%. | |
| Use of Funds | 10% | heating assistance |
| | 40% | cooling assistance |
| | 50% | cooling assistance |
| | 10% | crisis assistance |
| 2605(k)(1) | 15% | weatherization assistance |
| | 10% 0% | carryover to the following fiscal year |
| 2605(b)(9) | 10% | administrative and planning costs |
| 2605(b)(16) | 5% | services to reduce home energy needs including needs assessment (assurance 16) |
| | 0% | used to develop and implement leveraging activities (limited to the greater of 0.08% or \$35,000 for States, the greater of 2% or \$100 for territories, tribes and tribal organizations). |
| | 100% | TOTAL |

Comment: EA anticipates no carryover of FY2008 funds, thus increasing proportion available for cooling assistance.

Comment: TDHCA held over 10% of FY2006 LIHEAP award to offset the potential DOE funding cuts in FY2007.

Alternate Use of Crisis Assistance Funds

| | | |
|---------------|--|-----------------------------------|
| 2605(c)(1)(C) | ➔ The funds reserved for winter crisis assistance that have not been expended by March 15 will be reprogrammed to: | |
| | <input type="checkbox"/> | Heating assistance |
| | <input type="checkbox"/> | Cooling assistance |
| | <input type="checkbox"/> | weatherization assistance |
| | <input checked="" type="checkbox"/> | Other(specify): Year-round crisis |

➔ Do you accept applications for energy crisis assistance at sites that are geographically accessible to all households in the area to be served? (This is required by the statute.)

Yes No

Eligibility

| | |
|-------------------------------------|--|
| 2605(b)(2) 2605(c)(1)(A) | →What are your maximum eligibility limits? (Please check the components to which they apply.) Current year guidelines must be used. |
| <input type="checkbox"/> | 150% of the poverty guidelines: Heating <input type="checkbox"/> Cooling <input type="checkbox"/> Crisis <input type="checkbox"/> WX <input type="checkbox"/> |
| <input checked="" type="checkbox"/> | 125% of the poverty guidelines: Heating <input checked="" type="checkbox"/> Cooling <input checked="" type="checkbox"/> Crisis <input checked="" type="checkbox"/> WX <input checked="" type="checkbox"/> |
| <input type="checkbox"/> | 110% of the poverty guidelines: Heating <input type="checkbox"/> Cooling <input type="checkbox"/> Crisis <input type="checkbox"/> WX <input type="checkbox"/> |
| <input type="checkbox"/> | 60% of the State's median income: Heating <input type="checkbox"/> Cooling <input type="checkbox"/> Crisis <input type="checkbox"/> WX <input type="checkbox"/> |

| | | | | | |
|-----|----------------------------------|--|--------------------------------------|-----------------------------|--|
| N/A | NONE | Households automatically eligible if one person is receiving | | | |
| | TANF <input type="checkbox"/> | SSI <input type="checkbox"/> | Food Stamps <input type="checkbox"/> | WX <input type="checkbox"/> | |
| N/A | NONE | Certain means-tested veterans programs | | | |
| | Heating <input type="checkbox"/> | Cooling <input type="checkbox"/> | Crisis <input type="checkbox"/> | WX <input type="checkbox"/> | |

| | | | |
|--|---|-------------------------------------|-------------------------------------|
| 2605(c)(1)(A) 2605(b)(2) (eligibility) | →Do you have additional eligibility requirements for: | Yes | No |
| | Heating Assistance? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | →Do you use: | | |
| | Assets test? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | →Do you give priority in eligibility to: | | |
| | Elderly? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Disabled? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Young children? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Other: (If Yes, please describe) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | High energy burden, High energy consumption. | | |

| | | | |
|--|---|-------------------------------------|-------------------------------------|
| 2605(c)(1)(A) 2605(b)(2) (eligibility) | →Do you have additional eligibility requirements for: | Yes | No |
| | Cooling Assistance? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | →Do you use: | | |
| | Assets test? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | →Do you give priority in eligibility to: | | |
| | Elderly? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Disabled? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Young children? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Other: (If Yes, please describe) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | High energy burden, High energy consumption. | | |

| | | | |
|---|---|--------------------------|-------------------------------------|
| 2604(c) 2605(c)(1)(A) (eligibility) | →Do you have additional eligibility requirements for: | Yes | No |
| | Crisis Assistance? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

| | | | |
|--|---|--------------------------|-------------------------------------|
| | →Do you use: | | |
| | Assets test? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Must the household have received a shut-off notice or have an empty tank? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Must the household have exhausted regular benefit? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Must the household have received a rent eviction notice? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Must heating/cooling be medically necessary? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Other (Please explain): | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | <p>→What constitutes a crisis? (Please describe)</p> <p>A <i>bona fide</i> energy crisis exists when extraordinary events or situations resulting from extreme weather conditions and or fuel supply shortages have depleted or will deplete household financial resources and/or have created problems in meeting basic household expenses, particularly bills for energy so as to constitute a threat to the well-being of the household, particularly the elderly, the disabled, or very young children.</p> <p>A utility disconnection notice may constitute an energy crisis if client demonstrates a history of good faith in paying prior utility bills. A utility disconnection notice may constitute an energy crisis, or if brought about by sudden or unexpected events.</p> | | |

| | | | |
|--------------------------------|---|-------------------------------------|-------------------------------------|
| 2605(c)(1)(A) (eligibility) | →Do you have additional eligibility requirements for: Weatherization? | Yes | No |
| | | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | →Do you use: | | |
| | Assets test? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| | Priority groups? (Please list) | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Elderly? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Disabled? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Young children? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | Other: (If Yes, please describe) High energy burden, High energy consumption. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | →Are you using Department of Energy (DOE) Low Income Weatherization Assistance Program (LIWAP) rules to establish eligibility or to establish priority eligibility for households with certain characteristics? | <input checked="" type="checkbox"/> | <input type="checkbox"/> |
| | →If Yes, are there exceptions? Please list below. No categorical eligibility. | <input checked="" type="checkbox"/> | <input type="checkbox"/> |

Outreach Activities

| | |
|------------|---|
| 2605(b)(3) | →Please check the outreach activities that you conduct that are designed to |
|------------|---|

GRANTEE: TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS/ FFY 2008

| | |
|-------------------------------------|---|
| 2605(c)(3)(A) | assure that eligible households are made aware of all LIHEAP assistance available: |
| <input checked="" type="checkbox"/> | provide intake service through home visits or by telephone for the physically infirm (i.e. elderly or disabled). |
| <input checked="" type="checkbox"/> | place posters/flyers in local and county social service offices, offices of aging, Social Security offices, VA, etc. |
| <input checked="" type="checkbox"/> | publish articles in local newspapers or broadcast media announcements. |
| <input checked="" type="checkbox"/> | include inserts in energy vendor billings to inform individuals of the availability of all types of LIHEAP assistance. |
| <input type="checkbox"/> | Make mass mailing to past recipients of LIHEAP. |
| <input checked="" type="checkbox"/> | inform low income applicants of the availability of all types of LIHEAP assistance at application intake for other low-income programs. |
| <input checked="" type="checkbox"/> | execute interagency agreements with other low-income program offices to perform outreach to target groups. |
| <input type="checkbox"/> | other (Please specify): |

Coordination

| | |
|----------------------------|---|
| 2605(b)(4) | → Please describe how you will assure that LIHEAP is coordinated with similar and related programs. The description provided applies to all components unless specifically noted. |
| 2605 (b)(1)(C) 2605(b)4 | Subrecipients coordinate with other social service agencies through cooperative agreements to provide services to client households. Cooperative agreements clarify procedures, roles, and responsibilities of all participants. In particular, subrecipients make documented referrals to the local WAP subrecipient. |
| 2605(b)(7)(D) | Subrecipients coordinate with local energy vendors to arrange for arrearage reduction, reasonably reduced payment schedules, or cost reductions. |
| 2605(b)(6) | Community Action Agencies, local government entities, and other nonprofit agencies, with a few exceptions, also administer the LIHEAP program. To share information, enhance and develop service capacities, and integrate resources, TDHCA works with the Texas Association of Community Action Agencies, the Public Utility Commission, the Texas Railroad Commission, utility companies, and other State entities serving the low-income population. |

Benefit Levels: Equal Treatment

| | |
|---|---|
| 2605(b)(5) 2605(b)(2) 2605(b)(8A) | → The statute requires that there be no difference in the treatment of households eligible because of their income and those eligible because they receive benefits under TANF, Food Stamps, SSI, or certain means-tested veterans programs ("categorically eligible"). How do you ensure there is no difference when determining eligibility and benefit amounts? This applies to all components unless specifically noted below. |
| | There is no difference in benefit levels treatment based on the receipt or non- |

| | |
|--|---|
| | receipt of public assistance benefits. No households are deemed categorically eligible. This applies to all components. |
|--|---|

Determination of Benefits

Heating Component

| | | |
|------------|---|---|
| 2605(b)(5) | → Please check the variables you use to determine your benefit levels (check all that apply): | |
| | <input checked="" type="checkbox"/> | Income |
| | <input checked="" type="checkbox"/> | family (household) size |
| | <input checked="" type="checkbox"/> | home energy cost or need |
| | <input type="checkbox"/> | fuel type |
| | <input type="checkbox"/> | climate/region |
| | <input checked="" type="checkbox"/> | individual bill |
| | <input type="checkbox"/> | dwelling type |
| | <input checked="" type="checkbox"/> | energy burden (% of income spent on home energy) |
| | <input checked="" type="checkbox"/> | energy need |
| | <input checked="" type="checkbox"/> | other (describe): Household contains inefficient or unsafe equipment. |

Comment: EA added this item to help justify repair, replacement, and retrofit of heating equipment.

Benefit Levels

| | | |
|-----------------------------|--|---|
| 2605(b)(5) 2605(c)(1)(B) | → Describe how you will assure that the highest benefits go to households with the lowest incomes and the highest energy costs or needs in relation to income, taking into account family size. Please describe benefit levels or attach a copy of your payment matrix. | |
| | Households With Incomes of: | Household may receive an amount needed to address their energy payment shortfall not to exceed: |
| | 0 to 50% of Poverty | \$1,200. |
| | 50% to 75% of Poverty | \$1,100. |
| | 75% to 125% of Poverty | \$1,000. |
| | Income eligible household contains inefficient or unsafe equipment. | Allow equipment repair, replacement, and/or retrofit up to \$4,000. |
| | → Do you provide in-kind (e.g., blankets, space heaters) and/or other forms of benefits? | |
| | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| | If Yes, please describe. | |

Comment: This higher benefit level corresponds to conditions that exceed those encountered in households receiving benefits from other LIHEAP components.

Cooling Component

| | | |
|-----------------------------|---|--------------------------|
| 2605(b)(5) 2605(c)(1)(B) | → Please check the variables you use to determine your benefit levels (check all that apply): | |
| | <input checked="" type="checkbox"/> | Income |
| | <input checked="" type="checkbox"/> | family (household) size |
| | <input checked="" type="checkbox"/> | home energy cost or need |

| | |
|-------------------------------------|---|
| <input type="checkbox"/> | fuel type |
| <input type="checkbox"/> | climate/region |
| <input checked="" type="checkbox"/> | individual bill |
| <input type="checkbox"/> | dwelling type |
| <input checked="" type="checkbox"/> | energy burden (% of income spent on home energy) |
| <input checked="" type="checkbox"/> | energy need |
| <input checked="" type="checkbox"/> | other (describe): Household contains inefficient or unsafe equipment. |

Comment: EA added this item to help justify repair, replacement, and retrofit of heating equipment.

Benefit Levels

| | | |
|-----------------------------|--|---|
| 2605(b)(5) 2605(c)(1)(B) | <p>→ Describe how you will assure that the highest benefits go to households with the lowest incomes and the highest energy costs or needs in relation to income, taking into account family size. Please describe benefit levels or attach a copy of your payment matrix.</p> | |
| | Households With Incomes of: | Household may receive an amount needed to address their energy payment shortfall not to exceed: |
| | 0 to 50% of Poverty | \$1,200. |
| | 50% to 75% of Poverty | \$1,100. |
| | 75% to 125% of Poverty | \$1,000. |
| | Income eligible household contains inefficient or unsafe equipment. | Allow equipment repair, replacement, and/or retrofit up to \$4,000. |
| | <p>→ Do you provide in-kind (e.g., blankets, space heaters, fans) and/or other forms of benefits?</p> | |
| | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| | If Yes, please describe. | |

Comment: See note in "Heating Component", above.

Crisis Component

| | | |
|-----------------------------|---|---|
| 2605(b)(5) 2605(c)(1)(B) | <p>→ How do you handle crisis situations?</p> | |
| | <input checked="" type="checkbox"/> Separate component | <input type="checkbox"/> other (please explain) |
| | <p>→ If you have a separate component, how do you determine crisis assistance benefits?</p> | |
| | <input checked="" type="checkbox"/> | amount to resolve crisis, up to maximum |
| | <input type="checkbox"/> | other (please describe) |

Benefit Levels

| | | | |
|--|--|---------|-----------------|
| | <p>→ Please indicate the maximum benefit for each type of crisis assistance offered.</p> | | |
| | Heating | \$ n/a | maximum benefit |
| | Cooling | \$ n/a | maximum benefit |
| | Year-round | \$1,200 | maximum benefit |
| | <p>→ Do you provide in-kind (e.g. blankets, space heaters, fans) and/or other forms of benefits?</p> | | |

| | | |
|------------------------------|--|--------------------------|
| <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | If Yes, please describe. |
|------------------------------|--|--------------------------|

WEATHERIZATION & OTHER ENERGY RELATED HOME REPAIR AND IMPROVEMENTS

| | |
|---------------------------------------|---|
| 2605(b)(5) 2605(c)(1) (B) & (D) | ➔What LIHEAP weatherization services/materials do you provide? (Check all categories that apply.) |
|---------------------------------------|---|

Types of Assistance

| | |
|-------------------------------------|---|
| <input checked="" type="checkbox"/> | Weatherization needs assessments/audits. |
| <input checked="" type="checkbox"/> | Caulking, insulation, storm windows, etc. |
| <input checked="" type="checkbox"/> | Furnace/heating system modifications/repairs |
| <input checked="" type="checkbox"/> | Furnace replacement |
| <input checked="" type="checkbox"/> | Cooling efficiency modifications/repairs/replacement |
| <input checked="" type="checkbox"/> | Other <u>Energy Related Home Repair</u> (Please describe) a) roof, wall, and floor repair to complete weatherization measures; b) repair or replace essential electrical wiring to complete related weatherization measures, while complying with safety codes; c) solar screens or window film (where appropriate); d) replacement of refrigerators 1993 or older or metered to have an SIR of 1 or greater on the TDHCA refrigerator tool; e) mobile home skirting to protect belly insulation; f) overhangs to protect mobile home doors; g) carpentry work to protect outside water heater from exposure; and h) weatherization-related health and safety safeguards as defined by DOE. |

Benefit Levels

| | | | |
|---|---|-------------------------------------|----------------|
| | ➔Do you have a maximum LIHEAP weatherization benefit/expenditure per household? | | |
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | If Yes, what is the maximum amount? | \$4,000 |

Types of Rules (DOE or LIHEAP)

| | | |
|-------------------------------------|---|--|
| | ➔Under what rules do you administer LIHEAP weatherization? (Check only one.) | |
| <input type="checkbox"/> | Entirely under LIHEAP (not DOE) rules | |
| <input type="checkbox"/> | Entirely under DOE LIWAP rules | |
| <input checked="" type="checkbox"/> | Mostly under LIHEAP rules with the following DOE LIWAP rule(s) where LIHEAP and LIWAP rules differ (Check all that apply): | |
| <input checked="" type="checkbox"/> | Weatherize buildings if at least 66% of units (50% in 2- & 4-unit buildings) are eligible units or will become eligible within 180 days | |

| | |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Weatherize shelters temporarily housing primarily low income persons (excluding nursing homes, prisons, and similar institutional care facilities). |
| <input checked="" type="checkbox"/> | Other (Please describe) |
| <input type="checkbox"/> | Mostly under DOE LIWAP rules, with the following LIHEAP rule(s) where LIHEAP and LIWAP rules differ (Check all that apply.) |
| <input checked="" type="checkbox"/> | Weatherization not subject to DOE LIWAP maximum statewide average cost per dwelling unit. |
| <input checked="" type="checkbox"/> | Other <u>Energy Related Home Repair</u> (Please describe.) TDHCA will allow the use of a client's LIHEAP weatherization award for structural and ancillary repairs only if required to enable effective weatherization. |

Agency Designation

| | | |
|------------|---|--|
| 2605(b)(6) | The state administers LIHEAP through the following types of local agencies: | |
| | <input type="checkbox"/> | county welfare offices |
| | <input checked="" type="checkbox"/> | community action agencies (weatherization component only) |
| | <input checked="" type="checkbox"/> | community action agencies (heating, cooling or crisis) |
| | <input checked="" type="checkbox"/> | charitable organizations (nonprofit) |
| | <input type="checkbox"/> | not applicable (i.e. state energy office) |
| | <input type="checkbox"/> | tribal office |
| | <input checked="" type="checkbox"/> | other, describe: Units of local government and Councils of Government. |
| | → Have you changed local administering agencies from last year? | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| | If Yes, please describe how you selected them. | N/A |
| | → What components are affected by the change? | N/A |

Targeting of Assistance

| | | |
|-------------------------------------|---|--|
| 2605(c)(1)(E) | → Please describe any additional steps (other than those described elsewhere in this plan) that will be taken to target assistance to households with high home energy burdens. (This applies to all components. If all steps to target households with high home energy burdens are described elsewhere in the plan, no further information is required here.) | |
| <input checked="" type="checkbox"/> | The Heating & Cooling Equipment Replacement component targets assistance to high energy burden households where inefficient or malfunctioning equipment needlessly increases energy consumption and therefore impairs the household's ability to pay their own home energy bills. | |

Energy Suppliers

| | |
|------------|---|
| 2605(b)(7) | → Do you make payments directly to home energy suppliers? |
|------------|---|

| | | | |
|--|-------------------------------|---|--|
| | Heating | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| | Cooling | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| | Crisis | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| | If Yes, are there exceptions? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| | If Yes, please describe. | | |

| | |
|---------------------|---|
| 2605(b)(7)(A) | <p>➔If you make payments directly to home energy suppliers, how do you notify the client of the amount of assistance paid? (Please describe)</p> <p>When the client applies for assistance, the subrecipient agency determines the amount of assistance to be paid and when. This information is given to the client along with their client agreement.</p> |
| 2605(b)(7)(B) & (C) | <p>➔How do you make sure the home energy supplier performs what is required in this assurance? If vendor agreements are used, they may be attached. Indicate each component for which this description applies.</p> <p>Vendor agreements are used in all components. A sample copy is attached.</p> |

Owners & Renters

| | | | | | | | | | | | | | |
|--------------------|--|--|------------------------------|--|--------------------|------------------------------|--|-------------------|------------------------------|--|----------------|------------------------------|--|
| 2605(b)(8)(B) | <p>➔Is there any difference in the way owners and renters are treated? If Yes, please describe.</p> | | | | | | | | | | | | |
| | <table border="1"> <tr> <td>Heating Assistance</td> <td><input type="checkbox"/> Yes</td> <td><input checked="" type="checkbox"/> No</td> </tr> <tr> <td>Cooling Assistance</td> <td><input type="checkbox"/> Yes</td> <td><input checked="" type="checkbox"/> No</td> </tr> <tr> <td>Crisis Assistance</td> <td><input type="checkbox"/> Yes</td> <td><input checked="" type="checkbox"/> No</td> </tr> <tr> <td>Weatherization</td> <td><input type="checkbox"/> Yes</td> <td><input checked="" type="checkbox"/> No</td> </tr> </table> | Heating Assistance | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | Cooling Assistance | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | Crisis Assistance | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | Weatherization | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |
| Heating Assistance | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | | | | | | | | | | | |
| Cooling Assistance | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | | | | | | | | | | | |
| Crisis Assistance | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | | | | | | | | | | | |
| Weatherization | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No | | | | | | | | | | | |

Program, Fiscal Monitoring, and Audit

| | |
|-------------|--|
| 2605(b)(10) | <p>➔How do you ensure good fiscal accounting and tracking of LIHEAP funds? (Please describe. Include a description of how you monitor fiscal activities.)</p> <ol style="list-style-type: none"> 1. review annual audits; 2. monitor fiscal records; 3. review Monthly Expenditure and Performance Reports. |
| | <p>➔How do you monitor program activities? (Please be sure to include a description of how you monitor eligibility and benefit determination.)</p> <ul style="list-style-type: none"> • The Department requires each subrecipient to submit monthly funding and performance reports. Reports are due on the fifteenth of the following month. • TDHCA Contract Specialists will complete a desk monitoring review of monthly funding and performance reports to ensure the subrecipient has the capacity to carry out program activities in a timely manner. • TDHCA will assign a Program Officer to each subrecipient in order to track |

| | | |
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| | <p>program compliance and performance activities.</p> <ul style="list-style-type: none"> • Program Officer will perform an onsite monitoring visit of each subrecipient once every two years based on a Risk Assessment Module. On-site monitoring will be performed in conjunction with the Division’s Community Service Block Grant whenever possible. TDHCA may monitor a subrecipient more than once based on the previous monitoring report and current contract performance. • Program Officer will review the subrecipient’s financial records such as the single audit, general ledgers, receipts, bank statements, bank reconciliation reports, and checks to ensure that program funds are being expended on allowable program activities. • Program Officer will review individual client records to ensure the clients are eligible, prioritized, and served within the contract and TDHCA established guidelines. Client files will also be reviewed to ensure household needs have been identified, the client has been provided client education, and referred to other programs that have been identified by the subrecipient. The Department has set a minimum client record sample of 10% per component. • Program Officer will complete a monitoring check list and report that outlines findings and recommendations. • Upon the Manager’s review a report will be mailed to each subrecipient. • Subrecipient must submit a written response within 30 days of the report. The response must address any possible corrective actions if any. • TDHCA will review the response to ensure all possible corrective actions have been implemented by the subrecipient. | |
| | <p>➔ How is your LIHEAP program audited?</p> | |
| | Under the Single Audit Act? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| | If not, please describe: | |
| | For States and Territories: | |
| | ➔ Is there an annual audit of local administering agencies? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No |
| | <p>If not, please explain. TDHCA contract requires agencies that exceed \$500,000 in expenditures to follow the single Audit procedures and submit a copy of the Audit to the Department for review.</p> | |

Comment: Program officers make the decision, while monitoring, to examine more than ten client cases based on time allowance, number of case workers, variable client case practices, number of outreach centers, identified trends of repeated errors discovered during the monitoring visit.

Timely and Meaningful Public Participation

| | | |
|-------------|---|--|
| 2605(b)(12) | <p>➔ How did you get timely and meaningful public participation in the development of the plan? (Please describe.)</p> <ul style="list-style-type: none"> • TDHCA prepared a Draft LIHEAP Plan for FFY 2008 as a means of informing interested parties prior to the annual LIHEAP Public Hearing, July 17, 2007 (provisional date). • The draft plan was submitted for TDHCA Board approval at the June 14, | |
|-------------|---|--|

| | | | | | | | | | | |
|--|--|--|---|-----------------------------|--|--|--|--|--|--|
| | <p>2007 meeting – prior to publication.</p> <ul style="list-style-type: none"> • A Texas Register announcement (see appendix) and the TDHCA internet publication informed the Texas Legislature and general public about the public hearing. • The Draft LIHEAP Plan appeared on the TDHCA Internet site beginning on or after June 15, 2007 (provisional date). • TDHCA transmitted the Draft LIHEAP Plan by e-mail and fax to all TDHCA Energy Assistance subrecipients, Weatherization Policy Advisory Committee members, and other interested parties and let them know the document’s internet location (http://www.tdhca.state.tx.us/ea.htm). • TDHCA accepted written and verbal comments within the public participation process through July 24, 2007, 5:00 p.m. TDHCA requested that comments be sent by e-mail to john.touchet@tdhca.state.tx.us or by fax (512) 475-3935 or by postal service to TDHCA, Energy Assistance Section, P.O. Box 13941, Austin, Texas 78711-3941. • TDHCA incorporates public comments, including workable suggestions that do not alter the intent of LIHEAP, into the final plan. • TDHCA Board will receive the final plan for approval in August. | | | | | | | | | |
| 2605(a)(2) (public hearings) | <table border="1" style="width: 100%;"> <tr> <td data-bbox="321 705 938 800">➔ Did you conduct public hearings on the proposed use and distribution of your LIHEAP funds?</td> <td data-bbox="938 705 1073 800" style="text-align: center;"><input checked="" type="checkbox"/> Yes</td> <td data-bbox="1073 705 1201 800" style="text-align: center;"><input type="checkbox"/> No</td> </tr> <tr> <td colspan="3" data-bbox="321 800 1201 835">When? July 17, 2007 (provisional date)</td> </tr> <tr> <td colspan="3" data-bbox="321 835 1201 863">Where? TDHCA Headquarters, Room 116, Austin, Texas</td> </tr> </table> | ➔ Did you conduct public hearings on the proposed use and distribution of your LIHEAP funds? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | When? July 17, 2007 (provisional date) | | | Where? TDHCA Headquarters, Room 116, Austin, Texas | | |
| ➔ Did you conduct public hearings on the proposed use and distribution of your LIHEAP funds? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No | | | | | | | | |
| When? July 17, 2007 (provisional date) | | | | | | | | | | |
| Where? TDHCA Headquarters, Room 116, Austin, Texas | | | | | | | | | | |

Fair Hearing Procedures

| | |
|------------------------------|---|
| Fair Hearings 2605(b)(13) | <p>➔ Describe your fair hearing procedures for households whose applications are denied or not acted on in a timely manner. When are applicants informed of these rights?</p> |
| | <p>TDHCA will ensure that subrecipients provide an opportunity for a fair administrative hearing to individuals whose application for assistance is denied or not acted upon in a timely manner by requiring subrecipients to:</p> <ul style="list-style-type: none"> • print information about clients’ rights on the application forms and information sheets; • provide opportunity for fair administrative hearings in cases of application denial, delay, or inaction; • Provide written notification to applicant of denial of assistance within ten (10) days of the adverse determination. Notification includes written instructions of the appeals process and specific reasons for the denial. Applicants wishing to appeal a decision must provide written notice to subrecipient within 10 days of receipt of the denial notice. <u>Subrecipient maintains documentation of appeals in the client files.</u> <p>Applicants may subsequently appeal to TDHCA. An applicant must provide a written appeal request to TDHCA within 10 days of receiving the subrecipient’s</p> |

| | |
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| | second determination. A TDHCA appeals committee composed of at least three persons hears the appeal within 10 days of receiving the appeal. The subrecipient provides to TDHCA an audio tape recording or detailed notes of its hearing and pertinent client files. TDHCA will review the recording and notes from the hearing, the committee's decision and any other relevant information. TDHCA will not take additional oral testimony. TDHCA will notify all parties in writing of its decision within 30 days of the receipt of the appeal. |
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Alternate Outreach and Intake

| | | |
|-------------|---|---|
| 2605(b)(15) | For States and Puerto Rico only (not applicable to Tribes and tribal organizations, or to territories whose annual regular LIHEAP allotments are \$200,000 or less): | |
| | ➔ Does the State agency that administers the following LIHEAP component also administer the State's welfare program? | |
| | Heating Assistance | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| | If Yes, describe alternate process for outreach and intake: | |
| | Cooling Assistance | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| | If Yes, describe alternate process for outreach and intake: | |
| | Crisis Assistance | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| | If Yes, describe alternate process for outreach and intake: | |

Assurance 16 Activities

| | | |
|-------------|--|-----------------------------|
| 2605(b)(16) | ➔ Do you use LIHEAP funds to provide services that encourage and enable households to reduce their home energy needs and thereby the need for energy assistance? (This assurance refers to activities such as needs assessments, counseling, and assistance with energy vendors.) | |
| | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| | <p><i>If Yes, please describe these activities.</i></p> <ol style="list-style-type: none"> 1. Identify household needs. 2. Provide literature and energy conservation education. 3. Refer client to other appropriate programs. 4. Encourage responsible vendor and consumer behavior. <p>Subrecipients provide applications, forms, and energy education materials in Spanish, English, or other language when appropriate.</p> | |
| | <p><i>If Yes, how do you ensure that you don't use more than 5% (statutory ceiling) of your LIHEAP funds for these activities?</i></p> <p>Assurance 16 activities are a separate budget category at both the state and subrecipient levels. Both the accounting and the reporting systems do not allow expenditures over the 5% cap.</p> | |

Leveraging

| | |
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| | ➔ Please describe leveraging activities planned for the fiscal year. (This entry |
|--|---|

GRANTEE: TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS/ FFY 2008

| | |
|--|---|
| 2607A | <p>is optional.)* Complete this entry if you plan to apply for LIHEAP leveraging incentive funds and to include in your leveraging report resources/benefits provided to low income households this fiscal year under criterion (iii) in 45 CFR 96.87(d)(2). Provide the following information for each:</p> <ol style="list-style-type: none"> (1) Identify and described each resource/benefit; (2) Identify the source(s) of each resource; and (3) Describe the integration/coordination of each resource/benefit with the LIHEAP program, consistent with 1 or more of conditions A-H in 45 CFR 96.87(d)(2)(iii). |
| 2607(A) 45CFR96 §96.87(d)(2) (i) | <p>In order for subrecipients to serve eligible households in a comprehensive manner, creation of partnerships with private industries and utility vendors is essential. LIHEAP staff members, both at the grantee and the subrecipient level, have devoted substantial time and resources in the negotiation and design of these partnerships.</p> |
| §96.87(d)(1) | <p>The resources leveraged by these activities are from non-federal sources such as utility companies. They are provided to the LIHEAP grantee or only accessible to LIHEAP clients. They represent a net addition to the total home energy resources available to low-income households, are measurable and quantifiable, and meet the requirements for countable resources.</p> <p>The following resources have been leveraged on behalf of LIHEAP clients:</p> |
| §96.87(d)(2) (iii)(D) §96.87(d)(2) (iii)(E) §96.87(d)(2) (iii)(F) §96.87(e)(1) (i) | <p>Subrecipients have written agreements in place with energy providers. These agreements may provide for rate discounts, arrearage forgiveness, waivers on reconnection fees, and waivers on deposits. These agreements ensure that the energy vendor will charge the eligible household only the difference between the cost of home energy actually consumed and the amount of the payment made by TDHCA through LIHEAP. Agreements ensure that energy vendors will treat LIHEAP clients with no disadvantage relative to all other customers. The resources generated by these agreements are available to LIHEAP recipients and households that meet LIHEAP eligibility criteria. TDHCA currently uses written agreements with private, investor owned electric utility companies (IOUs) to provide funding for the following resources or services:</p> |
| §96.87(d)(2)(ii) §96.87(e)(1)(iii) §96.87(e)(1)(vi) | <p>IOU Weatherization Programs provide additional funding for the LIHEAP-funded Weatherization Assistance Program. Utility funds are designed to work in coordination with housing units being weatherized under the state's WAP. Therefore the program is only available to current WAP clients. The funds are administered by TDHCA and the work is carried out by the LIHEAP WAP network.</p> |
| §96.87(d)(2)(ii) §96.87(b)(4) §96.87(e)(1)(iii) §96.87(e)(1)(vi) | <p>TDHCA continues to work with the Public Utility Commission, the Texas Railroad Commission, and utilities to advocate for the enhancement and development of additional services for low-income energy consumers.</p> |
| §96.87 (c) 96.87(d)(1)(i) | <p>TDHCA programs funded with utility tariffs operate through LIHEAP subrecipients or in conjunction with other LIHEAP-funded programs designed</p> |

| | |
|--|--|
| 96.87(d)(2) (i,ii) 96.87(d)(2) (iii) (F) 96.87(e)(1) (iv) 96.87(e)(1) (v) | <p>to reduce energy cost burden for low-income households.</p> <p>The Texas 79th legislative session did not provide funding for the low-income discount. When funded, the System Benefit Fund supports a Low-Income Discount for electric customers (LIHEAP rule: Subpart H, Section 96.87). If funded, this resource would meet requirements for leveraged resources ((d)(1)(i-v). The grantee's LIHEAP program had an active, substantive role in developing the resource from home energy vendors through negotiation ((d)(2)(i)) at the Public Utility Commission of Texas. The resource is provided to low-income households as a supplement to Texas' LIHEAP program ((d)(2)(iii)). Rate discount recipients meet LIHEAP program eligibility criteria in the base period ((d)(2)(D)). Specifically, this program qualifies under section (e)(2)(i) as a home energy discount, provided in the base period to low-income households, in the form of discounts in utility rates or bills.</p> <p>Several retail electric providers (REPs) will offer emergency bill payment assistance through LIHEAP this fiscal year. TDHCA developed these leveraged programs through negotiations with energy providers. Subrecipients will administer this assistance under LIHEAP income eligibility criteria.</p> |
|--|--|

* Leveraged resources/benefits that are counted under criterion (iii) in 45 CFR 96.87(d)(2) must be identified and described in the grantee's LIHEAP plan and distributed as indicated in the plan. In addition, leveraging resources/benefits that are counted under criterion (ii) must be carried out under one or more components of the grantee's regular LIHEAP program.

ADDITIONAL CERTIFICATIONS AND REQUIREMENTS

Attached are additional certifications required as follows:

- [Lobbying certification](#), which must be filed by all States and territories. If applicable, Form LLL, which discloses lobbying payments, must be submitted. **(Tribes and tribal organizations are EXEMPT)**
- [Debarment and suspension certification](#), which must be filed by all grantees.
- [Drug-free workplace requirement certification](#), which must be filed by all grantees, unless the grantee has filed a statewide certification with the Department of Health and Human Services. **STATES ONLY:** If you have filed a statewide certification for the drug-free workplace requirement, please check here:
- One of the new requirements included in the 1994 reauthorization of the statute is that grantees must include in their annual application for funds a report on the number and income levels of households applying for and receiving LIHEAP assistance, and on the number of recipient households that have members who are elderly, disabled, or young children.

All Tribes and those territories with allotments of less than \$200,000 need only submit data on the number of households served by each component (heating, cooling, weatherization and crisis). The approval for the collection of information contained in the **LIHEAP Household Report** is covered by OMB approval number 0970-0060.

- Though not a part of this application, the report on funds to be carried over or available for reallocation as required by section 2607(a) for the preceding year must be submitted by August 1 of each year. A grant award for the current fiscal year may not be made until the carryover/reallocation report is received. The approval for the collection of information contained in the **LIHEAP Carryover and Reallocation Report** is covered by OMB approval number 0970-0106.

Attachments

- LIHEAP Household Report
- Contractors (Subrecipient Agencies)
- Required Certifications
- Vendor agreement sample copy
- DOE State Plan

LIHEAP Household Report--Federal Fiscal Year 2007--Long Format

Grantee Name: Texas Department of Housing & Community Affairs Contact Person: John Touchet, Planner

Phone: (512) 475-1435

Date: 17-May-07

The *LIHEAP Household Report--Long Format* is for use by the 50 States, District of Columbia, and insular areas with annual LIHEAP allotments of \$200,000 or more. This Federal Report provides data on both LIHEAP recipient and applicant households for Federal Fiscal Year (FFY) 2006, the period of October 1, 2005 - September 30, 2006. The Report consists of the following sections: (1) Recommended Long Format for LIHEAP Assisted Households and (2) Recommended Format for LIHEAP Applicant Households. Data on assisted households are included in the Department's annual *LIHEAP Report to Congress*. The data are also used in measuring targeting performance under the Government Performance and Results Act of 1993. As the reported data are aggregated, the information in this report is not considered to be confidential.

There are two types of data: (1) required data which must be reported under the LIHEAP statute and (2) requested data which are optional, in response to House Report 103-483 and Senate Report 103-251. Both the *LIHEAP Household Report--Long Format* (the Excel file name is *hhsrptst.xls*) and the instructions on completing the Report (the Word file name is *hhrptins.doc*) can be downloaded in the Forms sections of the Office of Community Services' LIHEAP web site at: www.acf.hhs.gov/programs/liheap/grantee_forms/index.html#household_report. The spreadsheet is page protected in order to keep the format uniform. The items requiring a response other areas of the spreadsheet cannot be modified. For example, the number of assisted and applicant households can not be entered. Each total will be calculated automatically for each type of assistance by a formula when the poverty level data are entered.

Do the data below include estimated figures? No Preliminary Yes Mark "X" in the second column below for each type of assistance that has at least one estimated data entry.

1. RECOMMENDED LONG FORMAT FOR LIHEAP ASSISTED HOUSEHOLDS

| Type of assistance | Mark "X" to indicate estimated data | Number of assisted households | REQUIRED DATA | | | | | At least one member who is | | | REQUESTED DATA | |
|--------------------------|-------------------------------------|-------------------------------|---|------------------|-------------------|-------------------|-------------------|----------------------------|----------|----------------------|----------------------------|-----------------------------|
| | | | 2006 HHS Poverty Guideline interval, based on gross income and household size | | | | | 60 years or older | Disabled | Age 5 years or under | At least one member who is | |
| | | | Under 75% poverty | 75%-100% poverty | 101%-125% poverty | 126%-150% poverty | Over 150% poverty | | | | Age 2 years or under | Age 3 years through 5 years |
| Heating | x | 7,192 | 4,831 | 1,499 | 862 | n/a | n/a | 3,440 | 4,115 | 931 | 503 | 590 |
| Cooling | x | 15,082 | 9,906 | 3,162 | 2,014 | n/a | n/a | 6,592 | 8,807 | 2,462 | 1,408 | 1,496 |
| Winter/year round crisis | x | 22,768 | 16,002 | 4,000 | 2,766 | n/a | n/a | 6,097 | 8,850 | 6,280 | 3,769 | 3,894 |
| Summer crisis | | 0 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Other crisis (specify) | | 0 | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a |
| Weatherization | x | 1,873 | 1,038 | 480 | 350 | 5 | 0 | 939 | 815 | 326 | 170 | 203 |

2. RECOMMENDED FORMAT FOR LIHEAP APPLICANT HOUSEHOLDS (regardless of whether assisted)

| Type of assistance | Mark "x" to indicate estimated data | Number of applicant households | REQUIRED DATA | | | | | Income data unavailable |
|--------------------------|-------------------------------------|--------------------------------|---|------------------|-------------------|-------------------|-------------------|-------------------------|
| | | | 2005 HHS Poverty Guideline interval, based on gross income and household size | | | | | |
| | | | Under 75% poverty | 75%-100% poverty | 101%-125% poverty | 126%-150% poverty | Over 150% poverty | |
| Heating | x | 8,052 | 4,248 | 1,622 | 976 | 172 | 19 | 1015 |
| Cooling | x | 14,226 | 8,232 | 3,011 | 1,721 | 215 | 69 | 978 |
| Winter/year round crisis | x | 22,916 | 13,994 | 3,984 | 2,634 | 287 | 92 | 1925 |
| Summer crisis | | 0 | n/a | n/a | n/a | n/a | n/a | n/a |
| Other crisis (specify) | | 0 | n/a | n/a | n/a | n/a | n/a | n/a |
| Weatherization | x | 2,690 | 1,063 | 635 | 447 | 75 | 132 | 338 |

Note: Include any notes below for section 1 or 2 (indicate which section, type of assistance, and item the note is referencing):
Most of Texas' crisis assistance (Sec. 1) typically occurs during cooling months (Mar-Nov).

Cooling and Crisis (1) exceed cooling and crisis (2) because many such clients received other assistance during "heating" season. Agencies serving those clients considered them as existing clients and did not require re-application before providing assistance.

With 4 different components in the Texas program, a client could receive assistance in winter under one component and in summer under another. New assistance to a household under a different component would not count as "duplicated" in Texas.

Assisted (1) in excess of applicants (2) does not reflect unmet need because many agencies stop accepting applications when they exhaust funding.

PY 2007 Comprehensive Energy Assistance Program

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 POST OFFICE BOX 13941, AUSTIN, TX 78711-3941
 Energy Assistance: 512-475-3951

MASTER LIST OF SUBRECIPIENTS

Current as of 4/20/2007

| Subrecipient | Agency Address | Chief Executive | Program Contact | Board Chair | Counties Served |
|--|--|--|---|--|--|
| 1 Aspermont Small Business Development Center, Inc. 1(800) 722-0137 mailto:asbdc@westex.net | P.O. Box 188 Aspermont, Texas 79502 Tel: (940) 989-3538 Fax: (940) 989-3445 | Dana Myers Executive Director mailto:annasimo@bizstx.rr.com | Dana Myers Tel: (940) 989-3538 Fax: (940) 989-3445 | David Davis 1 Av. D Pamell Texas 79521 | Haskell, Jones, Kent, Knox, Stonewall, Throckmorton |
| 2 Bee Community Action Agency 1(800) 358-5534 | P.O. Box 1540 Beeville, Texas 78104-1540 Tel: (361) 358-5530 Fax: (361) 358-6591 | Anna Simo Executive Director mailto:annasimo@bizstx.rr.com | Anna Simo Tel: Fax: | Ms. Carmen Garza Board Chair Texas | Bee, Live Oak, Refugio |
| 3 Bexar County Community and Development Programs | 233 N. Pecos Street, Suite 590 San Antonio, Texas 78207 Tel: (210) 335-3707 Fax: (210) 335-6788 | Aurora M. Sanchez Executive Director mailto:asanchez@bexar.org | Delia Perez Tel: (210) 335-6541 Fax: | Nelson W. Wolff Bexar County Judge 100 Dolorosa, Suite 1.20 San Antonio Texas 78205 | Bexar |
| 4 Big Bend Community Action Committee, Inc. mailto:evbbcac@sbcglobal.net | P.O. Box 265 Marfa, Texas 79843 Tel: (432) 729-4908 Fax: (432) 729-3435 | Emma Vasquez Executive Director | Gloria Garcia Tel: Fax: | Judge George Grubb P.O. Box 836 Ft. Davis Texas 79734 | Brewster, Culberson, Hudspeth, Jeff Davis, Presidio |
| 5 Brazos Valley Community Action Agency 1(866) 718-8932 mailto:www.bvcaa.org | 504 E. 27th Street Bryan, Texas 77803 Tel: (979) 779-7443 Fax: (979) 822-7758 | Karen Garber Executive Director mailto:kgarber@bvcaa.org | Bryan Jones Tel: 979-260-4920 Fax: 979-260-4828 | Ms. Helen Chavarria 2317 Oxfor Bryan Texas 77822 | Brazos, Burleson, Grimes, Leon, Madison, Robertson, Walker, Waller, Washington |

PY 2007 Comprehensive Energy Assistance Program

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 POST OFFICE BOX 13941, AUSTIN, TX 78711-3941
 Energy Assistance 512-475-3951

MASTER LIST OF SUBRECIPIENTS

Current as of 4/20/2007

| Subrecipient | Agency Address | Chief Executive | Program Contact | Board Chair | Counties Served |
|--|---|--|---|---|---|
| 6 Cameron and Willacy Counties Community Projects, Inc. | 3302 Boca Chica, Suite 209 Brownsville, Texas 78521-5705 Tel: (956) 544-6411 Fax: (956) 544-6414 | Amalia C. Garza Executive Director mailto:cwccp@orbitbroadband.net | Xochitl C. Rodriguez Tel: Fax: | Mr. Miguel Torres Chairman 23 West Maple Brownsville Texas 78521 | Cameron, Willacy |
| mailto:cwccp@orbitbroadband.net | | | | | |
| 7 Caprock Community Action Association, Inc. | 224 S. Berkshire Crosbyton, Texas 79322 Tel: (806) 675-7307 Fax: (806) 675-2291 | Claudia Cowley Executive Director mailto:Claudia.Cowley@spworksource.or | Angie Hernandez Tel: 1 (800) 692-4164 Fax: | Judge William Hardin 105 Main Street Floydada Texas 79235 | Crosby, Dickens, Floyd, Hale, King, Motley |
| 1(800) 692-4164 mailto:www.caprockcaa.org | | | | | |
| 8 Central Texas Opportunities, Inc. | P.O. Box 820 Coleman, Texas 76834 Tel: (325) 625-4167 Fax: (325) 625-3335 | Merridee McClatchy Executive Director mailto:merrideecto@web-access.net | Hanna Adams Tel: Fax: | Kenny Cooke, Jr Chairperson P.O. Box 611 Ballinger Texas 76821 | Brown, Callahan, Coleman, Comanche, Eastland, McCulloch, Runnels |
| 1(800) 625-4167 | | | | | |
| 9 Combined Community Action, Inc. | 165 W. Austin Street Giddings, Texas 78942 Tel: (979) 540-2980 Fax: (979) 542-9565 | Rhoda Marie Gersch Executive Director mailto:rmgersch@ccaction.com | Kelly Franke Tel: (979) 540-2985 Fax: mailto:kjfranke@ccaction.com | Shirley Meadows 310 Oak Street Sealy Texas 77474 | Austin, Bastrop, Colorado, Fayette, Lee |
| 1(800) 688-9065 mailto:www.ccaction.com | | | | | |
| 10 Community Action Committee of Victoria Texas | P.O. Box 3607 Victoria, Texas 77903-3607 Tel: (361) 578-2989 Fax: (361) 578-0062 | Vicki Smith Executive Director | Shawnee Bayer Tel: (361) 575-0478 o Fax: | Dr. Glenn Robertson Board Chairperson P.O. Box 803 Cuero Texas 77954 | Aransas, Calhoun, DeWitt, Goliad, Gonzales, Jackson, Lavaca, Victoria |
| 1(800) 695-0314 mailto:cacv@sbcglobal.net | | | | | |

PY 2007 Comprehensive Energy Assistance Program

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 POST OFFICE BOX 13941, AUSTIN, TX 78711-3941
 Energy Assistance 512-475-3951

MASTER LIST OF SUBRECIPIENTS

Current as of 4/20/2007

| Subrecipient | Agency Address | Chief Executive | Program Contact | Board Chair | Counties Served |
|--|--|--|--|---|---|
| 11 Community Action Corporation of South Texas | 204 E. 1st Street Alice, Texas 78333-1820 Tel: (361) 664-0145 Fax: (361) 664-0120 | Rafael Trevino, Jr. Executive Director | Robert Cuevas Tel: (361) 664-4769 Fax: (361) 664-8731 | Elias Villalobos Board Chair 716 Hughes St. Alice Texas 78332 | Brooks, Jim Wells |
| 1(800) 664-0145 mailto:www.cacost.org | | | | | |
| 12 Community Action Council of South Texas | 510 E Eisenhower St Rio Grande City, Texas 78582 Tel: (956) 487-2585 Fax: (956) 487-2871 | Francisco G. Zarate Executive Director mailto:pacoz@cacst.org | Celeste Garcia Tel: Fax: | Mr. Leonel Bazab Board Chair P.O. Box 840 Benavides Texas 78341 | Duval, Jim Hogg, McMullen, San Patricio, Starr, Zapata |
| mailto:www.cacst.org | | | | | |
| 13 Community Action Inc., of Hays, Caldwell and Blanco Counties | P.O. Box 748 San Marcos, Texas 78667-0748 Tel: (512) 392-1161 Fax: (512) 396-4255 | Carole Belver Executive Director mailto:cbelver@communityaction.com | Tina Morrow Tel: Ext. 309 Fax: | Judge H.T. Wright Board Chair 110 S. Main St. Lockhart Texas 78644 | Blanco, Caldwell, Hays |
| mailto:www.communityaction.com | | | mailto:tmorrow@communityaction.com | | |
| 14 Community Action Program, Inc. | P.O. Box 144 Abilene, Texas 79604-0144 Tel: (325) 673-5785 Fax: (325) 673-5784 | Morris Baker Executive Director mailto:morrisbaker@nts-online.net | Maria Aguilar Tel: Ext. 303 Fax: | Mr. Petty Hunter Board Chair P.O. Box 3594 Abilene Texas 79604 | Shackelford, Stephens, Taylor |
| | | | mailto:mariaaguilar@nts-online.net | | |
| 15 Community Council of Reeves County | 700 Daggett Street, Suite F Pecos, Texas 79772-4524 Tel: (432) 447-4913 Fax: (432) 447-4914 | Mary Jane Rios Executive Director | Rowena Lyles Tel: Fax: | Henry Freund Board Chair 302 S. Poplar St. Kermit Texas 79745 | Loving, Reeves, Ward, Winkler |
| mailto:ccreeves@netwest.com | | | | | |

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| Subrecipient | Agency Address | Chief Executive | Program Contact | Board Chair | Counties Served |
|--|--|---|--|---|---|
| 16 Community Council of South Central Texas, Inc. | 205-A E. Court Street Seguin, Texas 78155-5705 Tel: (830) 303-4376 Fax: (830) 372-5354 | Louis R. Ramirez, Sr. Executive Director | Carol Kruse Tel: (830) 303-5670 Fax: | Mr. Juan Manzanares Board Chair 449 Margo Dr. Pearsall Texas 78061 | Atascosa, Bandera, Comal, Frio, Gillespie, Guadalupe, Kames, Kendall, Kerr, Medina, Wilson |
| 17 Community Council of Southwest Texas, Inc. | P.O. Drawer 1709 Uvalde, Texas 78802-1709 Tel: (830) 278-6268 Fax: (830) 278-4281 | Jorge Botello Executive Director mailto:jorge_botello5@yahoo.com | Irma Morales Tel: (830) 278-9167 Fax: (830) 278-2679 566 West Main St. Uvalde 78801 | Miguel Acosta P.O. Box 613 Crystal Texas 78839 | Edwards, Kinney, Real, Uvalde, Val Verde, Zavala |
| 18 Community Services Agency of South Texas | P.O. Box 488 Carrizo Springs, Texas 78834-6488 Tel: (830) 876-5219 Fax: (830) 876-5280 mailto:www.csaofsti.com | David Ojeda, Jr. Executive Director | David Avalos Tel: (830) 876-2918 Fax: (830) 876-9623 mailto:csaavalos@sbcglobal.net | Roel Rodriguez, Jr. c/o Agency Texas | Dimmit, LaSalle, Maverick |
| 19 Community Services of Northeast Texas, Inc. | P.O. Box 427 Linden, Texas 75563 Tel: (903) 756-5596 Fax: (903) 756-7294 mailto:www.csntexas.org | Dan Boyd Executive Director mailto:dan.boyd@csntexas.org | Dan Boyd Tel: Fax: | Howard Tong Board Chairman 200 Sugar Place New Boston Texas 75570 | Camp, Cass, Marion, Morris |
| 20 Community Services, Inc. | P.O. Box 612 Corsicana, Texas 75151-0612 Tel: (903) 872-2401 Fax: (903) 872-0254 1(800) 831-9929 | Pauletta Hines Executive Director mailto:csi_csbq@sbcglobal.net | Valerie Nickerson Tel: (903) 875-3727 Fax: | Larry West Board Chair 3791 US175 E. Athens Texas 75751 | Anderson, Collin, Denton, Ellis, Henderson, Hunt, Kaufman, Navarro, Rockwall, Van Zandt mailto:csi_ceap@sbcglobal.net |

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|--|--|---|---|--|---|
| 21 Concho Valley Community Action Agency | P.O. Box 671 San Angelo, Texas 76902 Tel: (325) 653-2411 Fax: (325) 658-5137 | Sidney Mabry Executive Director mailto:cvcaa@cvc.wtxcoxmail.com | Janet Appleton Tel: (325) 653-1680 Fax: (325) 658-3147 | Hon. Dianna Spieker Board Chair 112 West Beauregard San Angelo Texas 76903 | Coke, Concho, Crockett, Irion, Kimble, Menard, Reagan, Schleicher, Sterling, Sutton |
| mailto:cvcaa@cvc.wtxcoxmail.com | | | | | |
| 22 Dallas County Department of Health and Human Services | 2377 N. Stemmons Fwy, Suite 600, L Dallas, Texas 75207-2710 Tel: (214) 819-1858 Fax: (214) 819-6022 | Zachary Thompson Director mailto:ZThompson@dallascounty.org | Darla Spenser Tel: (214) 819-1848 Fax: (214) 819-2101 mailto:ZThompson@dallascounty.org | Margaret Keliher County Judge 411 Elm Street, 2nd Floor Dallas Texas 75202 | Dallas |
| 23 Economic Action Committee of The Gulf Coast | P.O. Box 1685 Bay City, Texas 77404-1685 Tel: (979) 245-6901 Fax: (979) 245-5699 | Hazel Johnson Executive Director | Jody Johnson Tel: (979) 245-3250 Fax: | Andy Hawkins C/O Agency | Matagorda |
| mailto:eacgc@sbcglobal.net | | | | | |
| 24 Economic Opportunities Advancement Corporation of Planning Region XI | 500 Franklin Avenue Waco, Texas 76701-2111 Tel: (254) 753-0331 Fax: (254) 754-0046 | Johnette Hicks Executive Director mailto:jhicks@centexbiz.rr.com | Claudia Gooch Tel: Ext 218 Fax: | Darlene Cates C/O Agency | Bosque, Falls, Freestone, Hill, Limestone, McLennan |
| mailto:www.eoac.org | | | | | |
| mailto:claudia@centexbiz.rr.com | | | | | |
| 25 El Paso Community Action Program, Project BRAVO, Inc. | P.O. Box 3445 El Paso, Texas 79923 Tel: (915) 562-4100 Fax: (915) 562-8952 | Annie Payton Intern Executive Director mailto:apayton@projectbravo.org | Jesus Munoz Tel: Fax: | Dinna Spencer 500 E. San Antonio Street, Room El Paso Texas 79901 mailto:jmunoz@projectbravo.org | El Paso |

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|--|--|---|--|--|--|
| 26 Fort Worth, City of, Parks & Community Services Department | 4200 South Freeway, Suite 2200 Ft Worth, Texas 76115-1499 Tel: (817) 871-5700 Fax: (817) 871-5776 | Melody Mitchell Acting Director | Leona Johnson Tel: (817) 871-5772 Fax: mailto:leona.johnson@fortworthgov.org | Sharon Armstrong 4605 Virgil St. Fort Worth Texas 76119 | Tarrant |
| 27 Galveston County Community Action Council, Inc. | P.O. Box 3206 Galveston, Texas 77552 Tel: (409) 765-7878 Fax: (409) 765-9951 | Norma R. Mitchell Executive Director mailto:normadmitchell60@hotmail.com | Sabrina Harrell Tel: (409) 762-8418 Fax: mailto:sl_harrell27@hotmail.com | Kerry W. Tillmon C/O Agency Texas | Brazoria, Fort Bend, Galveston, Wharton |
| 1(800) 300-3004 mailto:www.gccac.org | | | | | |
| 28 Greater East Texas Community Action Program (GETCAP) | P.O. Box 631938 Nacogdoches, Texas 75963 Tel: (936) 564-2491 Fax: (936) 564-0302 | Karen Swenson Executive Director mailto:kswenson@sbcglobal.net | Beverly Norris Tel: Fax: mailto:bnorris@academicplanet.com | Robert Crow P.O. Box 631938 Nacogdoches Texas 75963 | Angelina, Cherokee, Gregg, Houston, Nacogdoches, Polk, Rusk, San Jacinto, Smith, Trinity, Wood |
| 1(800) 621-5746 mailto:www.getcap.org | | | | | |
| 29 Hidalgo County Community Services Agency | P.O. Box 204 Edinburg, Texas 78540 Tel: (956) 383-6250 Fax: (956) 380-4324 | Maribel Navarro-Saenz Executive Director mailto:csa_lopez@yahoo.com | Thelma Vasquez Tel: Ext. 44 Fax: mailto:fiscal_dept@hotmail.com | Jose Perez 423 N. Tower Rd. Alamo Texas 78516 | Hidalgo |
| 1(800) 522-4021 | | | | | |
| 30 Hill Country Community Action Association, Inc. | P.O. Box 846 San Saba, Texas 76877 Tel: (325) 372-5167 Fax: (325) 372-3526 | Tama Shaw Executive Director mailto:tshaw@hccaa.com | Clovia Ketchum Tel: Ext 232 Fax: mailto:cketchum@hccaa.com | John Fisher Board Chair P.O. Box 768 Belton Texas 76513 | Bell, Coryell, Hamilton, Lampasas, Llano, Mason, Milam, Mills, San Saba |
| mailto:www.hccaa.com | | | | | |

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|--|---|---|---|--|--|
| 31 Kleberg County Human Services | 720 E. Lee Street Kingsville, Texas 78363 Tel: (361) 595-8572 Fax: (361) 595-8578 | Margie Del Bosque Intern Executive Director | David Garcia Tel: (361) 595-8572 Fax: | Honorable Alan May County Judge C/O Agency Texas | Kenedy, Kleberg |
| | 1(800) 356-3463 | | davgar68@yahoo.com | | |
| 32 Lubbock, City of, Community Development Department | P.O. Box 2000 Lubbock, Texas 79457 Tel: (806) 775-2301 Fax: (806) 775-3917 | Bill Howerton Jr. Director | Joe Rangel Tel: Fax: | Karen Worley 4205 88th St. Lubbock Texas 79423 | Lubbock |
| | mailto:www.housing.ci.lubbock.tx.us | | mailto:irangel@mail.ci.lubbock.tx.us | | |
| 33 Montgomery County Emergency Assistance, Inc. | 1022 McCall Street Conroe, Texas 77301 Tel: (936) 539-9211 Fax: (936) 539-9239 | Chuck Ducharme Interim Executive Director | Connie Carle Tel: (936) 539-9211 Fax: (936) 539-9239 | | Montgomery |
| | | mailto:joanne@mcea-mcha.org | mailto:connie@mcea-mcha.org | Texas | |
| 34 Northeast Texas Opportunities, Inc. | P.O. Box 478 Mount Vernon, Texas 75457 Tel: (903) 537-2256 Fax: (903) 537-2187 | Beverly Logan Executive Director | Brenda Fountain Tel: Fax: | Judge Jerry Hubbell 200 N. Kufman Mt. Vernon Texas 75457 | Delta, Franklin, Hopkins, Lamar, Rains, Red River, Titus |
| | mailto:www.netopportunitiesinc.fcps | mailto:netobev@mt-vernon.com | mailto:neto@mt-vernon.com | | |
| 35 Nueces County Community Action Agency | 101 South Padre Island Drive Corpus Christi, Texas 78405 Tel: (361) 883-7201 Fax: (361) 883-9173 | Joe A. Martinez Executive Director | Alicia A. "Addie" Hurd / Dorothy Wade Tel: (361) 883-7201 x Fax: | George Rosas 7417 Spitfire Corpus Christi Texas 78412 | Nueces |
| | mailto:www.nccaatx.org | mailto:jam@nccaatx.org | mailto:ahurd@nccaatx.org | | |

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|--|--|--|--|---|--|
| 36 Panhandle Community Services | P.O. Box 32150 Amarillo, Texas 79120-2150 Tel: (806) 372-2531 Fax: (806) 373-8143 | Johnny Raymond Executive Director mailto:j-raymond@pcsvcs.org | Pauletta Flores & Phyllis Cook Tel: Ext 225 Fax: mailto:p-flores@pcsvcs.org | Judge Donnie Allred Box 195 Vega Texas 79092 | Armstrong, Briscoe, Carson, Castro, Childress, Collingsworth, Dallam, Deaf Smith, Donley, Gray, Hall, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Parmer, Potter, Randall, Roberts, Sherman, Swisher, Wheeler |
| 1(800) 676-4727 mailto:www.pcsvcs.org | | | | | |
| 37 Pecos County Community Action Agency | P.O. Box 940 Fort Stockton, Texas 79735 Tel: (432) 336-7526 Fax: (432) 336-7528 | Miguel Ureta Executive Director | Pat Arcides Tel: Fax: mailto:pat.arcides@co.pecos.tx.us | Mr. Donald Hunt Board Chair 401 South Elm Pecos Texas 79772 | Crane, Pecos, Terrell |
| mailto:pccaction@fstockton.net | | | | | |
| 38 Programs for Human Services, Inc. | P.O. Box 1607 Orange, Texas 77631-1607 Tel: (409) 886-0125 Fax: (409) 886-2849 | Tish Foyle-Johnson Executive Director | Connie Gray Tel: (409) 886-4338 Fax: (409) 883-8404 | Steve Neuman 5502 Bridge Forest Houston Texas 77088 | Chambers, Hardin, Jefferson, Liberty, Orange |
| 1(866) 550-0282 mailto:phs@pnx.com | | | | | |
| 39 Rolling Plains Management Corporation | P.O. Box 490 Crowell, Texas 79227 Tel: (940) 684-1571 Fax: (940) 684-1693 | Felix Taylor Executive Director | Marsha Anderson Tel: Fax: | John Shavor Judge Cottle County Courthouse Paducah Texas 79248 | Archer, Baylor, Clay, Cottle, Foard, Hardeman, Jack, Montague, Wichita, Wilbarger, Young |
| 1(800) 633-0852 mailto:rpmc@chipshot.net | | | | | |
| 40 San Angelo-Tom Green County Health Department | P.O. Box 1751 San Angelo, Texas 76902 Tel: (325) 657-4400 Fax: (325) 481-2632 | S. Michael Loving Chief Executive & Program mailto:dorissb@wcc.net | Tel: Fax: | Harold Dominguez City Manager P.O. Box 1751 San Angelo Texas 78204 | Tom Green |

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 POST OFFICE BOX 13941, AUSTIN, TX 78711-3941
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| Subrecipient | Agency Address | Chief Executive | Program Contact | Board Chair | Counties Served |
|--|---|---|--|--|--|
| 41 Senior Citizens Services of Texarkana, Inc. | P.O. Box 619 Texarkana, Texas 75504 Tel: (903) 831-7696 Fax: (903) 831-7869 | Eden Leach Executive Director | Nancy Bowman Tel: Fax: | Jack Stone Route W, Box 360 Texarkana Texas 75501 | Bowie |
| mailto:scstxk@cableone.net | | mailto:scstxk@cableone.net | | | |
| 42 Sheltering Arms, Inc. | 3838 Aberdeen Way Houston, Texas 77025 Tel: (713) 956-1888 Fax: (713) 956-2079 | Robert E. Phillips President | Arcadio Padilla Tel: (713) 685-6593 Fax: (713) 685-6590 | Paul Waldner President and General Manager One Riverway, Suite 1150 Houston Texas 77056 | Harris |
| 43 South Plains Community Action Association, Inc. | P.O. Box 610 Levelland, Texas 79336 Tel: (806) 894-6104 Fax: (806) 894-5349 | W. D. Powell, Jr. Executive Director | Luis Perez Tel: (806) 894-4560 Fax: (806) 894-9695 | Jim Walker 2033 Rice Levelland Texas 79336 | Bailey, Cochran, Garza, Hockley, Lamb, Lynn, Terry, Yoakum |
| mailto:www.spscaa.org | | mailto:community.services@spscaa.org | | | |
| 44 Texas Neighborhood Services | 314 NW 4th Street Mineral Wells, Texas 76067 Tel: (940) 325-2065 Fax: (940) 325-9640 | Bradley Manning Executive Director | Mistie Hott Tel: Ext. 221 Fax: | Hugh Smith Board Chair 1802 Martin Dr. Weatherford Texas 76086 | Erath, Hood, Johnson, Palo Pinto, Parker, Somervell, Wise |
| 1(800) 325-6944 mailto:www.txns.org | | mailto:bmanning@txns.org | | | |
| | | mailto:mhott@txns.org | | | |
| 45 Texoma Council of Governments | 1117 Gallagher Drive, Suite 300 Sherman, Texas 75090 Tel: (903) 893-2161 Fax: (903) 813-3511 | Francis Pelley Executive Director | Donnie Boyd Tel: (903) 813-3528 Fax: (903) 813-3539 | Johnny Waldrip Board Chair C/O agency | Cooke, Fannin, Grayson |
| 1(800) 677-8264 mailto:www.texoma.cog.tx.us | | mailto:fpelley@texoma.cog.tx.us | | | |

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| Subrecipient | Agency Address | Chief Executive | Program Contact | Board Chair | Counties Served |
|--|--|---|---|---|--|
| 46 Travis County Health and Human Services Department | P.O. Box 1748 Austin, Texas 78767 Tel: (512) 854-4100 Fax: (512) 854-4123 | Sherry Fleming Interim Executive Manager mailto:sherry.fleming@co.travis.tx.us | Lisa Sindermann Tel: (512) 854-4594 Fax: (512) 473-4123 mailto:lisa.sindermann@co.travis.tx.us | Sam Biscoe County Judge 314 W. 11th St., Suite 250 Austin Texas 78701 | Travis |
| 47 Tri-County Community Action, Inc. | P.O. Drawer 1748 Center, Texas 75935 Tel: (936) 598-6315 Fax: (936) 598-7272 | Lenola Wyatt-Tutt Executive Director mailto:lenolatutt@sbcglobal.net | Janette Williams Tel: Fax: | Leroy Hughes Board Chair P.O. Box 299 San Augustine Texas 75972 | Harrison, Jasper, Newton, Panola, Sabine, San Augustine, Shelby, Tyler, Upshur |
| 48 Webb County Community Action Agency | 1110 Washington St, Suite 203 Laredo, Texas 78040-4443 Tel: (956) 523-4182 Fax: (956) 523-5016 mailto:www.webbcounty.com | Mike Kazen Executive Director mailto:mkazen@webbcountytx.gov | Maricela Benavides Tel: Fax: (956) 523-5016 mailto:mbenavides@webbcountytx.gov | Ms. Patricia Campos 508 Gale, Apt 13 Laredo Texas 78041 | Webb |
| 49 West Texas Opportunities, Inc. | P.O. Box 1308 Lamesa, Texas 79331 Tel: (806) 872-8354 Fax: (806) 872-5816 mailto:www.gowto.org | Janet Everheart Executive Director mailto:j.everheart.wto@gmail.com | Karen Faulkner Tel: Ext. 215 Fax: | Bill Meares 1815 County Rd #14 Lamesa Texas 79331 | Andrews, Borden, Dawson, Ector, Fisher, Gaines, Glasscock, Howard, Martin, Midland, Mitchell, Nolan, Scurry, Upton |
| 50 Williamson-Burnet County Opportunities, Inc. | P.O. Box 740 Georgetown, Texas 78627 Tel: (512) 763-1400 Fax: (512) 763-1411 mailto:www.wbco.net | Andrew Shell Executive Director | Estella Rodriguez Tel: (512) 763-1400 Fax: (512) 763-1411 mailto:erodriguez@wbco.net | Ms. Shirley Schmidt Board Chair 271 B. Braeburn Circle Marble Falls Texas 78654-6619 | Burnet, Williamson |

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|--|--|---|---|---|---|
| 1 Alamo Area Council of Governments | 8700 Tesoro Dr., Ste. 700 San Antonio, Texas 78217 Phone: (210) 362-5245 Fax: (210) 225-5937 mailto:mail@aacoq.com | Gloria C. Arriaga mailto:garriga@aacoq.com | Rose Jackson mailto:rjackson@aacoq.com | Raymond Ramirez Mayor 8700 Tesoro, Suite 700 San Antonio Texas 78217 | Atascosa, Bandera, Bexar, Comal, Frio, Gillespie, Guadalupe, Kames, Kendall, Kerr, Medina, Wilson |
| 2 Bee Community Action Agency | P.O. Box 1540 Beeville, Texas 78104-1540 Phone: (361) 358-5530 Fax: (361) 358-6591 1(800) 358-5534 | Anna Simo mailto:annasimo@bizstx.rr.com | Anna Simo mailto:annasimo@bizstx.rr.com | Ms. Carmen Garza Board Chair Texas | Bee, Live Oak, Refugio |
| 3 Big Bend Community Action Committee, Inc. | P.O. Box 265 Marfa, Texas 79843 Phone: (432) 729-4908 Fax: (432) 729-3435 mailto:evbbcac@sbcglobal.net | Emma Vasquez | Beronica Martinez (432) 729-4876 mailto:evbbcac@sbcglobal.net | Judge George Grubb P.O. Box 836 Ft. Davis Texas 79734 | Brewster, Crane, Culberson, Hudspeth, Jeff Davis, Pecos, Presidio, Terrell |
| 4 Brazos Valley Community Action Agency | 504 E. 27th Street Bryan, Texas 77803 Phone: (979) 779-7443 Fax: (979) 822-7758 1(866) 718-8932 mailto:www.bvcaa.org | Karen Garber mailto:kgarber@bvcaa.org | Rebecca Fortin 979-260-4908 mailto:rfortin@bvcaa.org | Ms. Helen Chavarria 2317 Oxfor Bryan Texas 77822 | Brazos, Burleson, Grimes, Leon, Madison, Montgomery, Robertson, Walker, Waller, Washington |
| 5 Cameron and Willacy Counties Community Projects, Inc. | 3302 Boca Chica, Suite 209 Brownsville, Texas 78521-5705 Phone: (956) 544-6411 Fax: (956) 544-6414 mailto:cwccp@orbitbroadband.net | Amalia C. Garza mailto:cwccp@orbitbroadband.net | Rigoberto Cavazos (956) 421-2216 | Mr. Miguel Torres Chairman 23 West Maple Brownsville Texas 78521 | Cameron, Willacy |

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| 6 Caprock Community Action Association, Inc. 1(800) 692-4164 mailto:www.caprockcaa.org | 224 S. Berkshire Crosbyton, Texas 79322 Phone: (806) 675-7307 Fax: (806) 675-2291 | Claudia Cowley mailto:Claudia.Cowley@spworksource.org | Mr. Jackie Hamersly | Judge William Hardin 105 Main Street Floydada Texas 79235 | Crosby, Dickens, Floyd, Hale, King, Motley |
| 7 Combined Community Action, Inc. 1(800) 688-9065 mailto:www.ccaction.com | 165 W. Austin Street Giddings, Texas 78942 Phone: (979) 540-2980 Fax: (979) 542-9565 | Rhoda Marie Gersch mailto:rmgersch@ccaction.com | Kelly Franke (979) 540-2985 mailto:weatherization@ccaction.com | Shirley Meadows 310 Oak Street Sealy Texas 77474 | Austin, Bastrop, Blanco, Caldwell, Colorado, Fayette, Fort Bend, Hays, Lee |
| 8 Community Action Committee of Victoria Texas 1(800) 695-0314 mailto:cacv@sbcglobal.net | P.O. Box 3607 Victoria, Texas 77903-3607 Phone: (361) 578-2989 Fax: (361) 578-0062 | Vicki Smith | Lisa Tesch | Dr. Glenn Robertson Board Chairperson P.O. Box 803 Cuero Texas 77954 | Aransas, Brazoria, Calhoun, De Witt, Goliad, Gonzales, Jackson, Lavaca, Matagorda, Victoria, Wharton |
| 9 Community Action Corporation of South Texas 1(800) 664-0145 mailto:www.cacost.org | 204 E. 1st Street Alice, Texas 78333-1820 Phone: (361) 664-0145 Fax: (361) 664-0120 | Rafael Trevino, Jr. | Robert Guerrero (361) 661-1300 | Elias Villalobos Board Chair 716 Hughes St. Alice Texas 78332 | Brooks, Jim Wells |
| 10 Community Action Council of South Texas mailto:www.cacst.org | 510 E Eisenhower St Rio Grande City, Texas 78582 Phone: (956) 487-2585 Fax: (956) 487-2871 | Francisco G. Zarate mailto:paco@cacst.org | Jorge Zamora Ext.267 | Mr. Leonel Bazab Board Chair P.O. Box 840 Benavides Texas 78341 | Duval, Hidalgo, Jim Hogg, Kenedy, Kleberg, McMullen, San Patricio, Starr, Zapata |

PY 2007 Weatherization Assistance Program

Master List of Subrecipients

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

POST OFFICE BOX 13941; AUSTIN, TX 78711-3941

Energy Assistance 512-475-3951

Current as of 4/20/2007

| Subrecipient | Agency Address | Chief Executive | Contact Person | Board Chair | Counties Served |
|---|---|--|--|---|---|
| 11 Community Action Program, Inc. | P.O. Box 144 Abilene, Texas 79604-0144 Phone: (325) 673-5785 Fax: (325) 673-5784 | Morris Baker mailto:morrisbaker@nts-online.net | Teresa Serda Ext. 310 mailto:teresaserda@nts-online.net | Mr. Petty Hunter Board Chair P.O. Box 3594 Abilene Texas 79604 | Brown, Callahan, Comanche, Eastland, Haskell, Jones, Kent, Knox, Shackelford, Stephens, Stonewall, Taylor, Throckmorton |
| 12 Community Council of Reeves County | 700 Daggett Street, Suite F Pecos, Texas 79772-4524 Phone: (432) 447-4913 Fax: (432) 447-4914 mailto:ccreeves@netwest.com | Mary Jane Rios | Amparo Valenzuela | Henry Freund Board Chair 302 S. Poplar St. Kermit Texas 79745 | Loving, Reeves, Ward, Winkler |
| 13 Community Services Agency of South Texas | P.O. Box 488 Carrizo Springs, Texas 78834-6488 Phone: (830) 876-5219 Fax: (830) 876-5280 mailto:www.csaofsti.com | David Ojeda, Jr. | David Avalos (830) 876-0272 910 S. 5th St. Carrizo Springs, Texas 78834 | Roel Rodriguez, Jr. c/o Agency Texas | Dimmit, Edwards, Kinney, La Salle, Real, Uvalde, Val Verde, Zavala |
| 14 Community Services, Inc. 1(800) 831-9929 | P.O. Box 612 Corsicana, Texas 75151-0612 Phone: (903) 872-2401 Fax: (903) 872-0254 | Pauletta Hines mailto:csi_csbq@sbcglobal.net | A.R. Kampschafer (903) 872-2407 | Larry West Board Chair 3791 US175 E. Athens Texas 75751 | Anderson, Collin, Denton, Ellis, Henderson, Hood, Hunt, Kaufman, Johnson, Navarro, Palo Pinto, Parker, Rockwall, Smith, Van Zandt |

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Energy Assistance 512-475-3951

Current as of 4/20/2007

| Subrecipient | Agency Address | Chief Executive | Contact Person | Board Chair | Counties Served |
|--|--|--|---|---|--|
| 15 Concho Valley Community Action Agency mailto:cvcaa@cvc.wtcoxmail.com | P.O. Box 671 San Angelo, Texas 76902 Phone: (325) 653-2411 Fax: (325) 658-5137 | Sidney Mabry mailto:cvcaa@cvc.wtcoxmail.com | Janet Appleton (325) 653-1680 1100 North Martin Luther King Dr. San Angelo, Texas 76903-5365 | Hon. Dianna Spieker Board Chair 112 West Beauregard San Angelo Texas 76903 | Coke, Coleman, Concho, Crocket, Irion, Kimble, McCulloch, Menard, Reagan, Runnels, Schleicher, Sterling, Sutton, Tom Green |
| 16 Dallas County Department of Health and Human Services | 2377 N. Stemmons Fwy, Suite 600, Dallas, Texas 75207-2710 Phone: (214) 819-1858 Fax: (214) 819-6022 | Zachary Thompson mailto:ZThompson@dallascounty.org | Daniel Araiza (214) 819-2884 mailto:daraiza@dallascounty.org | Margaret Keliher County Judge 411 Elm Street, 2nd Floor Dallas Texas 75202 | Dallas |
| 17 Economic Opportunities Advancement Corporation of mailto:www.eoac.org | 500 Franklin Avenue Waco, Texas 76701-2111 Phone: (254) 753-0331 Fax: (254) 754-0046 | Johnette Hicks mailto:jhicks@centexbiz.rr.com | Richard Huettel ext. 203 | Darlene Cates C/O Agency | Bosque, Falls, Freestone, Hill, Limestone, McLennan |
| 18 El Paso Community Action Program, Project BRAVO, Inc. | P.O. Box 3445 El Paso, Texas 79923 Phone: (915) 562-4100 Fax: (915) 562-8952 | Annie Payton mailto:apayton@projectbravo.org | Mike Martinez | Dinna Spencer 500 E. San Antonio Street, El Paso Texas 79901 | El Paso |

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Master List of Subrecipients

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

POST OFFICE BOX 13941; AUSTIN, TX 78711-3941

Energy Assistance 512-475-3951

Current as of 4/20/2007

| Subrecipient | Agency Address | Chief Executive | Contact Person | Board Chair | Counties Served |
|--|--|---|---|--|--|
| 19 Fort Worth, City of, Department of Housing | 1000 Throckmorton Street Fort Worth, Texas 76102 Phone: (817) 392-7540 Fax: (817) 392-7328 | Jerome E. Walker mailto:jerome.walker@fortworthgov.org | David Maryol (817) 392-7554 mailto:david.maryol@fortworthgov.org | Texas | Tarrant |
| 20 Greater East Texas Community Action Program (GETCAP) | P.O. Box 631938 Nacogdoches, Texas 75963 Phone: (936) 564-2491 Fax: (936) 564-0302 1(800) 621-5746 mailto:www.getcap.org | Karen Swenson mailto:kswenson@sbcglobal.net | Carl Singleton (936) 564-2491 mailto:carlsingleton@sbcglobal.net | Robert Crow P.O. Box 631938 Nacogdoches Texas 75963 | Angelina, Cherokee, Gregg, Houston, Nacogdoches, Polk, Rusk, San Jacinto, Trinity, Wood |
| 21 Hill Country Community Action Association, Inc. | P.O. Box 846 San Saba, Texas 76877 Phone: (325) 372-5167 Fax: (325) 372-3526 mailto:www.hccaa.com | Tama Shaw mailto:tshaw@hccaa.com | Patti Owen Ext 222 / Ext 282 | John Fisher Board Chair P.O. Box 768 Belton Texas 76513 | Bell, Burnet, Coryell, Erath, Hamilton, Lampasas, Llano, Mason, Milam, Mills, San Saba, Somervell, Williamson |
| 22 Lubbock, City of, Community Development Department | P.O. Box 2000 Lubbock, Texas 79457 Phone: (806) 775-2301 Fax: (806) 775-3917 mailto:www.housing.ci.lubbock.tx.us | Bill Howerton Jr. | Brad Reed Lubbock, Texas 79401-3830 mailto:breed@mylubbock.us | Karen Worley 4205 88th St. Lubbock Texas 79423 | Lubbock |
| 23 Maverick County Human Services Department | 1609 Del Rio Blvd. Eagle Pass, Texas 78852 Phone: (830) 773-0045 Fax: (830) 773-2754 mailto:mvcowx@sbcglobal.net | Romelia Cardona mailto:mvcowx@sbcglobal.net | Fernando Munoz mailto:mvcowx@sbcglobal.net | Rogelio Escobedo County Judge 500 Quarry Street Eagle Pass Texas 78852 | Maverick |

PY 2007 Weatherization Assistance Program

Master List of Subrecipients

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

POST OFFICE BOX 13941; AUSTIN, TX 78711-3941

Energy Assistance 512-475-3951

Current as of 4/20/2007

| Subrecipient | Agency Address | Chief Executive | Contact Person | Board Chair | Counties Served |
|---|--|--|---|--|--|
| 24 Nueces County Community Action Agency | 101 South Padre Island Drive Corpus Christi, Texas 78405 Phone: (361) 883-7201 Fax: (361) 883-9173 mailto:www.nccaatx.org | Joe A. Martinez mailto:jam@nccaatx.org | Alicia A. "Addie" Hurd Ext 33 mailto:ahurd@nccaatx.org | George Rosas 7417 Spitfire Corpus Christi Texas 78412 | Nueces |
| 25 Panhandle Community Services | P.O. Box 32150 Amarillo, Texas 79120-2150 Phone: (806) 372-2531 Fax: (806) 373-8143 1(800) 676-4727 mailto:www.pcsvcs.org | Johnny Raymond mailto:j-raymond@pcsvcs.org | Margaret Wolfe Ext 220 mailto:pcswweather@cox-internet.com | Judge Donnie Allred Box 195 Vega Texas 79092 | Armstrong, Briscoe, Carson, Castro, Childress, Collingsworth, Dallam, Deaf Smith, Donley, Gray, Hall, Hansford, Hartley, Hemphill, Hutchinson, Lipscomb, Moore, Ochiltree, Oldham, Parmer, Potter, Randall, Roberts, Sherman, Swisher, Wheeler |
| 26 Programs for Human Services, Inc. | P.O. Box 1607 Orange, Texas 77631-1607 Phone: (409) 886-0125 Fax: (409) 886-2849 1(866) 550-0282 mailto:phs@pnx.com | Tish Foyle-Johnson | Connie Gray (409) 886-4338 | Steve Neuman 5502 Bridge Forest Houston Texas 77088 | Chambers, Galveston, Hardin, Jefferson, Liberty, Orange |
| 27 Rolling Plains Management Corporation | P.O. Box 490 Crowell, Texas 79227 Phone: (940) 684-1571 Fax: (940) 684-1693 1(800) 633-0852 mailto:rpmc@chipshot.net | Felix Taylor | Mark Halsell mailto:rpmcea@srcaccess.net | John Shavor Judge Cottle County Courthouse Paducah Texas 79248 | Archer, Baylor, Cottle, Clay, Foard, Hardeman, Jack, Montague, Wichita, Wilbarger, Wise, Young |
| 28 Sheltering Arms, Inc. | 3838 Aberdeen Way Houston, Texas 77025 Phone: (713) 956-1888 Fax: (713) 956-2079 | Robert E. Phillips | Arcadio Padilla (713) 685-6593 | Paul Waldner President and General Man One Riverway, Suite 1150 Houston Texas 77056 | Harris |

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Master List of Subrecipients

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

POST OFFICE BOX 13941; AUSTIN, TX 78711-3941

Energy Assistance 512-475-3951

Current as of 4/20/2007

| Subrecipient | Agency Address | Chief Executive | Contact Person | Board Chair | Counties Served |
|---|---|--|---|--|---|
| 29 South Plains Community Action Association, Inc. mailto:www.spcaa.org | P.O. Box 610 Levelland, Texas 79336 Phone: (806) 894-6104 Fax: (806) 894-5349 | W. D. Powell, Jr. mailto:community.services@spcaa.org | Henry Tarrango (806) 894-4560 mailto:henrytarango.commserv@nts-online.net | Jim Walker 2033 Rice Levelland Texas 79336 | Bailey, Cochran, Garza, Hockley, Lamb, Lynn, Terry, Yoakum |
| 30 Texoma Council of Governments 1(800) 677-8264 mailto:www.texoma.cog.tx.us | 1117 Gallagher Drive, Suite 300 Sherman, Texas 75090 Phone: (903) 893-2161 Fax: (903) 813-3511 | Francis Pelley mailto:fpelley@texoma.cog.tx.us | Mark Bullard (903) 813-3526 mailto:mbullard@texoma.cog.tx.us | Johnny Waldrip Board Chair C/O agency | Bowie, Camp, Cass, Cooke, Delta, Fannin, Franklin, Grayson, Hopkins, Lamar, Marion, Morris, Rains, Red River, Titus |
| 31 Travis County Health and Human Services Department | P.O. Box 1748 Austin, Texas 78767 Phone: (512) 854-4100 Fax: (512) 854-4123 | Sherry Fleming mailto:sherry.fleming@co.travis.tx.us | Robert Peterson (512) 479-8355 5021 E.Cesar Chavez Austin, Texas 78702 mailto:bob.petersen@co.travis.tx.us | Sam Biscoe County Judge 314 W. 11th St., Suite 250 Austin Texas 78701 | Travis |
| 32 Tri-County Community Action, Inc. | P.O. Drawer 1748 Center, Texas 75935 Phone: (936) 598-6315 Fax: (936) 598-7272 | Lenola Wyatt-Tutt mailto:lenolatutt@sbcglobal.net | Steven Hennigan Ext. 23 mailto:bethstroope@sbcglobal.net | Leroy Hughes Board Chair P.O. Box 299 San Augustine Texas 75972 | Harrison, Jasper, Newton, Panola, Sabine, San Augustine, Shelby, Tyler, Upshur |
| 33 Webb County Community Action Agency mailto:www.webbcounty.com | 1110 Washington St, Suite 203 Laredo, Texas 78040-4443 Phone: (956) 523-4182 Fax: (956) 523-5016 | Mike Kazen mailto:mkazen@webbcountytx.gov | Veronica Verduzco (956) 523-4174 | Ms. Patricia Campos 508 Gale, Apt 13 Laredo Texas 78041 | Webb |

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Master List of Subrecipients

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

POST OFFICE BOX 13941; AUSTIN, TX 78711-3941

Energy Assistance 512-475-3951

Current as of 4/20/2007

| Subrecipient | Agency Address | Chief Executive | Contact Person | Board Chair | Counties Served |
|---|--|---|---|--|--|
| 34 West Texas Opportunities, Inc. | P.O. Box 1308 Lamesa, Texas 79331 Phone: (806) 872-8354 Fax: (806) 872-5816 | Janet Everheart | Mark Shofner Ext. 221 | Bill Meares 1815 County Rd #14 Lamesa Texas 79331 | Andrews, Borden, Dawson, Ector, Fisher, Gaines, Glasscock, Howard, Martin, Midland, Mitchell, Nolan, Scurry, Upton |
| mailto:www.qowto.org | | mailto:j.everheart.wto@gmail.com | mailto:m.shofner.wto@gmail.com | | |

CEAP Program Year 2007

| Subrecipient | Award Amount |
|----------------------------|-------------------|
| Aspermont | 333,661 |
| Bee CAA | 184,351 |
| Bexar County | 2,669,766 |
| Big Bend | 365,376 |
| Brazos Valley | 1,077,380 |
| Cameron & Willacy | 1,263,954 |
| CAPROCK | 442,498 |
| CTO | 503,583 |
| Combined CAA | 353,652 |
| CAC Victoria | 616,494 |
| CA Corp. S. Texas | 281,451 |
| CA Council S. Texas | 663,295 |
| CAI Hays | 243,491 |
| GETCAP | 1,774,903 |
| CAP, Inc. | 333,245 |
| CS of Northeast TX | 291,804 |
| CC of Reeves | 166,705 |
| CC of S. Central Texas | 877,456 |
| CC of SW Texas | 511,385 |
| CSA of South Texas | 366,205 |
| CSI | 1,577,650 |
| EAC Gulf Coast | 112,195 |
| Rolling Plains | 717,141 |
| EOAC Planning Region | 906,028 |
| El Paso | 1,761,356 |
| Ft. Worth | 1,848,303 |
| Galveston County | 1,091,889 |
| Hidalgo County | 1,914,303 |
| Hill Country | 765,866 |
| Webb County | 567,266 |
| City Of Lubbock | 596,490 |
| NETO, Inc. | 501,529 |
| Nueces County | 750,379 |
| Montgomery County | 373,501 |
| Tx. Neighborhood Serv. | 608,909 |
| Panhandle | 1,493,793 |
| Pecos County | 189,795 |
| PHS | 1,094,753 |
| San Angelo | 244,601 |
| SC of Texarkana | 235,532 |
| Sheltering Arms | 5,477,069 |
| South Plains | 374,342 |
| Texoma | 410,020 |
| Concho Valley CA | 429,345 |
| Travis County HHS | 1,108,534 |
| Tri-County CA, Inc. | 829,294 |
| West Texas Opport. | 1,201,271 |
| Williamson-Burnet | 194,791 |
| Kleberg County | 365,589 |
| Dallas County HHS | 3,290,052 |
| Total to be awarded | 44,352,237 |

**CEAP Program Year 2008
Projected Level Funding**

| Subrecipient | Funding Amount |
|----------------------------|-------------------|
| Aspermont | 280,357 |
| Bee CAA | 154,900 |
| Bexar County | 2,243,254 |
| Big Bend | 307,005 |
| Brazos Valley | 905,262 |
| Cameron & Willacy | 1,062,030 |
| CAPROCK | 371,806 |
| CTO | 423,132 |
| Combined CAA | 297,154 |
| CAC Victoria | 518,006 |
| CA Corp. S. Texas | 236,487 |
| CA Council S. Texas | 557,329 |
| CAI Hays | 204,592 |
| GETCAP | 1,491,352 |
| CAP, Inc. | 280,007 |
| CS of Northeast TX | 245,186 |
| CC of Reeves | 140,073 |
| CC of S. Central Texas | 737,277 |
| CC of SW Texas | 429,688 |
| CSA of South Texas | 307,701 |
| CSI | 1,325,611 |
| EAC Gulf Coast | 94,271 |
| Rolling Plains | 602,573 |
| EOAC Planning Region | 761,285 |
| El Paso | 1,479,968 |
| Ft. Worth | 1,553,025 |
| Galveston County | 917,453 |
| Hidalgo County | 1,608,481 |
| Hill Country | 643,514 |
| Webb County | 476,642 |
| City Of Lubbock | 501,197 |
| NETO, Inc. | 421,407 |
| Nueces County | 630,501 |
| Montgomery County | 313,832 |
| Tx. Neighborhood Serv. | 511,632 |
| Panhandle | 1,255,150 |
| Pecos County | 159,474 |
| PHS | 919,859 |
| San Angelo | 205,524 |
| SC of Texarkana | 197,904 |
| Sheltering Arms | 4,602,074 |
| South Plains | 314,539 |
| Texoma | 344,517 |
| Concho Valley CA | 360,755 |
| Travis County HHS | 931,438 |
| Tri-County CA, Inc. | 696,809 |
| West Texas Opport. | 1,009,361 |
| Williamson-Burnet | 163,672 |
| Kleberg County | 307,184 |
| Dallas County HHS | 2,764,446 |
| Total to be awarded | 37,266,693 |

LIHEAP WAP Program Year 2007

| Subrecipient | Award Amount |
|------------------------------------|------------------|
| Alamo Area Council of Govt. | 653,077 |
| Bee Community Action Agency | 33,087 |
| Big Bend Community Action | 99,641 |
| Brazos Valley CA | 260,401 |
| Cameron-Willacy Cos. | 226,852 |
| Caprock Community Action | 79,418 |
| Combined CA | 147,622 |
| CA Committee of Victoria | 205,329 |
| Corporation of South Texas | 38,786 |
| CA Council of South Texas | 539,965 |
| Greater East Texas CAP | 253,171 |
| Community Action Program | 176,410 |
| CC of Reeves | 29,917 |
| Community Services Agency | 115,130 |
| Community Services, Inc. | 426,974 |
| Rolling Plains | 141,384 |
| EOAC of Plann'g Reg. X | 162,612 |
| El Paso CAP-Project BRAVO | 316,125 |
| City of Fort Worth | 331,729 |
| Hill Country CAA | 190,592 |
| Webb County CAA | 101,812 |
| Lubbock, City of | 107,057 |
| Maverick County | 42,378 |
| Nueces County | 134,676 |
| Panhandle Comm. Service | 268,103 |
| Program for Human Services | 277,458 |
| Sheltering Arms, Inc. | 1,198,796 |
| South Plains CAA | 67,186 |
| Texoma Council of Govt. | 258,249 |
| Concho Valley Comm. | 154,625 |
| Travis County HSD | 198,957 |
| Tri-County CA, Inc. | 148,841 |
| West Texas Opp., Inc. | 215,601 |
| Dallas County DHS | 590,492 |
| Total to be awarded | 8,192,452 |

LIHEAP WAP Program Year 2008
Projected Level Funding

| Subrecipient | Award Amount |
|-----------------------------|---------------------|
| Alamo Area Council of Govt. | \$ 548,252 |
| Bee Community Action Agency | \$ 27,776 |
| Big Bend Community Action | \$ 83,647 |
| Brazos Valley CA | \$ 218,604 |
| Cameron-Willacy Cos. | \$ 190,440 |
| Caprock Community Action | \$ 66,671 |
| Combined CA | \$ 123,928 |
| CA Committee of Victoria | \$ 172,372 |
| Corporation of South Texas | \$ 32,560 |
| CA Council of South Texas | \$ 453,295 |
| Greater East Texas CAP | \$ 212,535 |
| Community Action Program | \$ 148,094 |
| CC of Reeves | \$ 25,115 |
| Community Services Agency | \$ 96,651 |
| Community Services, Inc. | \$ 358,441 |
| Rolling Plains | \$ 118,691 |
| EOAC of Plann'g Reg. X | \$ 136,511 |
| El Paso CAP-Project BRAVO | \$ 265,384 |
| City of Fort Worth | \$ 278,484 |
| Hill Country CAA | \$ 160,000 |
| Webb County CAA | \$ 85,470 |
| Lubbock, City of | \$ 89,873 |
| Maverick County | \$ 35,576 |
| Nueces County | \$ 113,059 |
| Panhandle Comm. Service | \$ 225,070 |
| Program for Human Services | \$ 232,923 |
| Sheltering Arms, Inc. | \$ 1,006,378 |
| South Plains CAA | \$ 56,402 |
| Texoma Council of Govt. | \$ 216,797 |
| Concho Valley Comm. | \$ 129,806 |
| Travis County HSD | \$ 167,022 |
| Tri-County CA, Inc. | \$ 124,950 |
| West Texas Opp., Inc. | \$ 180,995 |
| Dallas County DHS | \$ 495,712 |
| Total to be awarded | \$ 6,877,486 |

**COMMUNITY AFFAIRS DIVISION
COMMUNITY SERVICES BLOCK GRANT**

**BOARD ACTION REQUEST
JUNE 14, 2007**

Action Item

Presentation, review, and possible approval of draft FFY 2008 and 2009 Community Services Block Grant (CSBG) State Plan and Application for posting on TDHCA website and public comment.

Required Action

The U.S. Department of Health and Human Services, Office of Community Services (USHHS OCS) requires that the State of Texas submit a State plan and application in order to receive its allotment of Community Services Block Grant (CSBG) funds. In response to such requirement, the Department has prepared the draft FFY 2008 and 2009 Community Services Block Grant (CSBG) State Plan and Application. Staff recommends approval of draft FFY 2008 and 2009 Community Services Block Grant (CSBG) State Plan and Application for posting on TDHCA website and public comment approve.

Background

Texas Administrative Code, Title 10, Part 1, Chapter 5, Subchapter A, 10 TAC §5.1 – §5.15 TAC requires that, in conjunction with the development of the State plan, the Department hold public hearings in four locations in different areas of the state to solicit public comment on the intended use of CSBG funds. The statute further requires that the Department provide notice of the public hearings regarding the State Plan not later than the 15th day before the date of the hearing and publish the Draft State Plan on the Department's web site at least 10 days before the first public hearing.

The Department will conduct public hearings in Dallas, Houston, Lubbock, and Austin during the week of July 9th, 2007 and will post the draft Plan and Application on the Department's website in compliance with T.A.C. requirements.

Staff recommends that if the Department does not receive significant public comment, the Board grant the Executive Director the authority to submit the State Plan and Application to the U.S. Department of Health and Human Services.

Part V. Narrative State Plan, G. Fiscal Controls and Monitoring of the draft CSBG State Plan describes the federal requirements for Corrective Action, Termination and Reduction in Funding as it relates to the contract of a designated CSBG eligible entity. When a CSBG eligible entity fails to comply with the terms of the CSBG contract or the State plan, or to meet appropriate standards, goals and other requirements established by the State, the State must follow the process outlined in Section 678 C of the CSBG Act. This procedure provides the Department with sanctions that go beyond the normal ones imposed when an eligible entity can easily

address its deficiencies. The Department has begun this process with Community Action Council of South Texas in Rio Grande City, Texas. The Department staff is working with other agencies to ensure the services are delivered and any necessary corrective action is provided to the agency.

Recommendation

Staff recommends Board approval of the draft FFY 2008 and 2009 Community Services Block Grant (CSBG) State Plan and Application for posting on TDHCA website and public comment. Staff recommends that if the Department does not receive significant public comment, the Board grant the Executive Director the authority to submit the State Plan and Application to the U.S. Department of Health and Human Services.

STATE OF TEXAS

FFY 2008 and FFY 2009

DRAFT

COMMUNITY SERVICES BLOCK GRANT PROGRAM (CSBG)

STATE PLAN AND APPLICATION



Submitted by the

TEXAS DEPARTMENT OF HOUSING & COMMUNITY AFFAIRS

to the

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

August 2007

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- F. State of Texas FFY 2007 CSBG Allocations**
- G. Audit Information for CSBG Eligible Entities**
- H. Texas Administrative Code--Title 10, Part 1, Chapter 5
Texas Government Code--Chapter 2306.092(11) and 2306.097**
- I. Lead State Agency Designation Correspondence**
- J. Certification Regarding Lobbying**
- K. Certification Regarding Drug-free Workplace**
- L. Certification Regarding Debarment, Suspension, Other Responsibility
Matters**
- M. Certification Regarding Pro-Children Act of 1994**
- N. Texas' FFY 2006 CSBG Annual Report**

Note: Only Appendices J, K, L, and M (required certifications) are included. Other attachments are available upon request.

August 27, 2007

Ms. Josephine Bias Robinson
Director of Federal Office of Community Services
U. S. Department of Health and Human Services--ACF
Division of State Assistance
370 L 'Enfant Promenade, S.W., 5th Floor West
Washington, D.C. 20447

Re: State of Texas FFY 2008 and FFY 2009 Community Services Block Grant \
State Plan and Application

Dear Ms. Robinson:

Enclosed is the State of Texas Plan and Application for Federal Fiscal Years 2008 and 2009 funding under the Community Services Block Grant (CSBG) Act, 42 U.S.C. 9901 et seq. Administration of the Community Services Block Grant in Texas is also governed by state statutes in the Texas Administrative Code--Title 10, Part 1, Chapter 5, Subchapter A, 5.1-5.16 and Texas Government Code Subchapters 2306.092(11), and 2306.097.

The Texas Department of Housing and Community Affairs (Department) is the state agency designated to administer these funds. The official to receive notices of grant awards for CSBG is Mr. E. E. Fariss, Director of the Community Affairs Division (CAD). The CAD phone number is (512) 475-3897 and the fax number is (512) 475-4624. The program contact person within the CSBG State Office is Jesse Mitchell, Manager of the Community Services Section (CSS). The CSS phone number is (512) 475-3850 and the fax number is (512) 475-3539. The Department's fiscal contact person for the Community Services Block Grant Program is Esther Ku, Manager of Accounting Operations. Ms. Ku can be reached at (512) 475-3871 and documents faxed to her at (512) 472-7500.

The State of Texas appreciates the opportunity to continue administering this block grant. The CSBG provides support for an array of programs that assist low-income individuals and families to create permanent change in their lives, and in 2006 enabled the State's Community Action Network to provide services to more than 316,867 unduplicated low-income individuals and to assist 2,023 persons to transition out of poverty.

Transmittal Letter--2008/2009 Texas CSBG State Application & Plan
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If you require additional information regarding this document, please do not hesitate to contact this office.

Sincerely,

Michael G. Gerber
Executive Director

Enclosure

I. FEDERAL FISCAL YEARS COVERED BY THE STATE PLAN AND APPLICATION:

The State Plan and Application covers federal fiscal years 2008 and 2009.

II. LETTER OF TRANSMITTAL

Refer to transmittal letter.

III. EXECUTIVE SUMMARY

A. CSBG State Legislation

The state legislation that governs the CSBG program is codified below, and copies of the provisions are included within this application as Appendix H.

Texas Administrative Code, Title 10, Part 1, Chapter 5, Subchapter A. 5.1--5.16. The referenced sections provide guidance to CSBG eligible entities on purpose and goals of CSBG grant; designation and re-designation of eligible entities; distribution of funds; uses; state application and plan; the requirement to conduct a community needs assessment and submit the results to the Department; the requirement to submit a Community Action Plan; selection, composition, and powers of Boards of CSBG eligible entities; meeting requirements for Boards of CSBG eligible entities; monitoring of CSBG eligible entities; limitations on use of funds; client income guidelines; program administration; termination and reduction of funding; .

Texas Government Code 2306.092(11) requires that Community Affairs and Community Services programs be administered through the Community Affairs Division, specifically programs created under the federal Economic Opportunity Act of 1964, the Omnibus Budget Reconciliation Act of 1981, and other federal acts creating economic opportunity programs assigned to the Department.

Texas Government Code 2306.097 requires energy services programs that serve low-income individuals, such as the Weatherization Assistance Program (WAP) and the Low-Income Home Energy Assistance Program (LIHEAP), to operate in conjunction with the Community Services Block Grant. Therefore, the majority of CSBG eligible entities administers these energy efficiency programs in the State of Texas.

B. Designation of Lead State Agency to Administer the CSBG Program

The Texas Department of Community Affairs, which in 1991 was merged with the Texas Housing Agency to create the Texas Department of Housing and Community Affairs (Department), has administered the Community Services Block

Grant in Texas since 1983 in accordance with state statute. In 1999, Governor George Bush designated the Department as the lead agency for this grant in response to Section 676(a) of the CSBG Act. Governor Rick Perry has continued this designation, and a letter to this effect has been included in this state application as Appendix I.

Designated State Lead Agency: Texas Department of Housing and Community Affairs

Director/Administrator of Designated State Agency: Michael G. Gerber

C. Public Hearing Requirements

- (1) Public Hearings: The Department compiled and distributed a draft Texas CSBG State Application and Plan that described the proposed use of CSBG funds for Federal Fiscal Years 2008 and 2009. Information on the intended use of the CSBG funds was presented at four (4) public hearings held statewide during the week of July 9, 2007. During the public hearing comment period, the Department received no comments that required action. The hearings were announced in a notice in the Texas Register, a copy which is included in this application as Appendix A.
- (2) Legislative Hearing: The Texas State Legislature meets biennially during which time the budgets of all state agencies are considered. The CSBG budget is included in the review of the Department's overall budget. The Texas Senate conducted its Legislative Appropriations Request hearing on February 5, 2007. The Texas House of Representatives held its Legislative Appropriations Request hearing on February 8, 2007. Letters of verification from the Texas Senate and the House of Representatives are included as Appendix B.
- (3) Public Inspection of State Plan: Copies of the State Application and Plan were made available through the Texas State Library and remain there on file for future reference. In addition, the State Application and Plan document was made available for public inspection on the Department's web-site: www.tdhca.state.tx.us.

IV. STATEMENT OF FEDERAL AND CSBG ASSURANCES/CERTIFICATIONS

As part of the CSBG biennial application and plan required by Section 676 of the Community Services Block Grant Act, as amended (42 U.S.C. 9901 *et seq.*) (the Act), I, Michael G. Gerber, Executive Director of the Texas Department of Housing and Community Affairs (Department), hereby agree to the Assurances in Section 676 of the Act.

A. Programmatic Assurances

- (1) The Department assures that funds made available through the CSBG will be used:
 - (a) to support activities that are designed to assist low-income families and individuals, including families and individuals receiving assistance under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.), homeless families and individuals, migrant or seasonal farmworkers, and elderly low-income individuals and families, and a description of how such activities will enable the families and individuals -
 - (i) to remove obstacles and solve problems that block the achievement of self-sufficiency (including self-sufficiency for families and individuals who are attempting to transition off a State program carried out under part A of title IV of the Social Security Act);
 - (ii) to secure and retain meaningful employment;
 - (iii) to attain an adequate education, with particular attention toward improving literacy skills of low-income families in the communities involved, which may include carrying-out family literacy initiatives;
 - (iv) to make better use of available income;
 - (v) to obtain and maintain adequate housing and a suitable living environment;
 - (vi) to obtain emergency assistance through loans, grants, or other means to meet immediate and urgent family and individual needs; and,
 - (vii) to achieve greater participation in the affairs of the communities involved, including the development of public and private grassroots partnerships with local law enforcement agencies, local housing authorities, private foundations, and other public and private partners to:
 - (I) document best practices based on successful grassroots intervention in urban areas, to develop methodologies for widespread replication; and
 - (II) to strengthen and improve relationships with local law enforcement agencies, which may include participation in activities such as neighborhood or community policing efforts;

- (b) to address the needs of youth in low-income communities through youth development programs that support the primary role of the family, give priority to the prevention of youth problems and crime, and promote increased community coordination and collaboration in meeting the needs of youth, and support development and expansion of innovative community-based youth development programs that have demonstrated success in preventing or reducing youth crime, such as--
 - (i) programs for the establishment of violence-free zones that would involve youth development and intervention models (such as models involving youth mediation, youth mentoring, life skills training, job creation, and entrepreneurship programs); and
 - (ii) after-school child care programs; and,
- (c) to make more effective use of, and to coordinate with, other programs (including State welfare reform efforts). [676(b)(1)]
- (2) To describe how the State intends to use discretionary funds made available from the remainder of the grant or allotment described in Section 675C(b) of the Act in accordance with the community services block grant, including a description of how the State will support innovative community and neighborhood-based initiatives related to the purposes of this subtitle; [676(b)(2)]
- (3) To provide information submitted by CSBG eligible entities in the State, containing--
 - (A) a description of the service delivery system, for services provided or coordinated with funds made available through grants made under Section 675C(a) of the Act, targeted to low-income individuals and families in communities within the State;
 - (B) a description of how linkages will be developed to fill identified gaps in services, through the provision of information, referrals, case management, and follow-up consultations;
 - (C) a description of how funds made available through grants made under Section 675C(a) will be coordinated with other public and private resources; and
 - (D) a description of how local CSBG eligible entities will use the funds to support innovative community and neighborhood-based initiatives related to the purposes of this subtitle, which may include fatherhood initiatives and other initiatives with the goal of strengthening families and encouraging effective parenting. [676(b)(3)];

- (4) To ensure that CSBG eligible entities in the State will provide, on an emergency basis, for the provision of such supplies and services, nutritious foods, and related services, as may be necessary to counteract conditions of starvation and malnutrition among low-income individuals; [676(b)(4)]
- (5) To ensure that the State and the CSBG eligible entities in the State will coordinate and establish linkages between governmental and other social services programs to assure the effective delivery of such services to low-income individuals and to avoid duplication of such services, and a description of how the State and the CSBG eligible entities will coordinate the provision of employment and training activities in the State and in communities with CSBG eligible entities providing activities through statewide and local workforce investment systems under the Workforce Investment Act of 1998; [676(b)(5)]
- (6) To ensure coordination between antipoverty programs in each community in the State, and ensure, where appropriate, that emergency energy crisis intervention programs under title XXVI (relating to low-income home energy assistance) are conducted in such communities; [676(b)(6)]
- (7) To permit and cooperate with Federal investigations undertaken in accordance with section 678D of the Act; [676(b)(7)]
- (8) To ensure that any eligible entity in the State that received funding in the previous fiscal year through a community services block grant under the community services block grant program will not have its funding terminated under this subtitle, or reduced below the proportional share of funding the entity received in the previous fiscal year unless, after providing notice and opportunity for a hearing on the record, the State determines that cause exists for such termination or such reduction, subject to review by the Secretary as provided in Section 678C(b) of the Act [676(b)(8)];
- (9) To ensure that the State and CSBG eligible entities in the State will, to the maximum extent possible, coordinate programs with and form partnerships with other organizations serving low-income residents of the communities and members of groups served by the State, including religious organizations, charitable groups, and community organizations [676(b)(9)];
- (10) To require each eligible entity in the State to establish procedures under which a low-income individual, community organization, or religious organization, or representative of low-income individuals that considers its organization, or low-income individuals, to be inadequately

represented on the board (or other mechanism) of the eligible entity to petition for adequate representation [676(b)(10)];

- (11) To secure from each eligible entity in the State, as a condition to receipt of funding, a community action plan (which shall be submitted to the Secretary, at the request of the Secretary, with the State Plan) that includes a community needs assessment for the community served, which may be coordinated with community needs assessments conducted for other programs [676(b)(11)];
- (12) To ensure that the State and all CSBG eligible entities in the State will, not later than fiscal year 2001, participate in the Results-Oriented Management and Accountability System, or another performance measure system for which the Secretary facilitated development pursuant to Section 678E(b) of the Act [676(b)(12)];
- (13) To provide information describing how the State will carry out these assurances. [676(b)(13)]. (Refer to section V. Narrative State Plan.)

B. Administrative Assurances

The Department further agrees to the following as required under the Act:

- (1) To submit an application to the Secretary containing information and provisions that describe the programs for which assistance is sought under the community services block grant program prepared in accordance with and containing the information described in Section 676 of the Act. [675A(b)]
- (2) To use not less than 90 percent of the funds made available to the State by the Secretary under Section 675A and 675B of the Act to make grants to CSBG eligible entities for the stated purposes of the community services block grant program and to make such funds available to CSBG eligible entities for obligation during the fiscal year and the succeeding fiscal year, subject to the provisions regarding recapture and redistribution of unobligated funds outlined below. [675C(a)(1) and (2)]
- (3) In the event that the State elects to recapture and redistribute funds to an eligible entity through a grant made under Section 675C(a)(1) when unobligated funds exceed 20 percent of the amount so distributed to such eligible entity for such fiscal year, the State agrees to redistribute recaptured funds to an eligible entity, or require the original recipient of the funds to redistribute the funds to a private, nonprofit organization, located within the community served by the original recipient of the funds, for activities consistent with the purposes of the community services block grant program. [675C(a)(3)]
- (4) To spend no more than the greater of \$55,000 or 5 percent of its grant received under Section 675A or the State allotment received under Section 675B for administrative expenses, including monitoring activities. [675C(b)(2)]
- (5) In states with a charity tax credit in effect under state law, the State agrees to comply with the requirements and limitations specified in Section 675(c) regarding use of funds for statewide activities to provide charity tax credits to qualified charities whose predominant activity is the provision of direct services within the United States to individuals and families whose annual incomes generally do not exceed 185 percent of the poverty line in order to prevent or alleviate poverty among such individuals and families. [675(c)]
- (6) That the lead agency will hold at least one hearing in the State with sufficient time and statewide distribution of notice of such hearing, to provide to the public an opportunity to comment on the proposed use and distribution of funds to be provided through the grant or allotment

under Section 675A or 675B for the period covered by the State Plan. [676(a)(2)(B)]

- (7) That the chief executive officer of the State will designate an appropriate State agency for purposes of carrying out State community services block grant program activities. [676(a)(1)]
- (8) To hold at least one legislative hearing every three years in conjunction with the development of the State Plan. [676(a)(3)]
- (9) To make available for the public inspection each plan or revised State plan in such a manner as will facilitate review of and comment on the plan. [676(e)(2)]
- (10) To conduct the following reviews of CSBG eligible entities and organizations receiving CSBG funds:
 - (a) full on-site review of each such entity at least once during each three-year period;
 - (b) an on-site review of each newly designated entity immediately after the completion of the first year in which such entity receives funds through the community services block grant program;
 - (c) follow-up reviews including prompt return visits to CSBG eligible entities and organizations receiving CSBG funds, and their programs, that fail to meet the goals, standards, and requirements established by the State;
 - (d) other reviews as appropriate, including reviews of CSBG eligible entities with programs that have had other Federal, State or local grants (other than assistance provided under the community services block grant program) terminated for cause. [678B(a)]
- (11) In the event that the State determines that an eligible entity fails to comply with the terms of an agreement or the State plan, to provide services under the community services block grant program or to meet appropriate standards, goals, and other requirements established by the State (including performance objectives), the State will comply with the requirements outlined in Section 678C of the Act, to:
 - (a) inform the entity of the deficiency to be corrected;
 - (b) require the entity to correct the deficiency;
 - (c) offer training and technical assistance as appropriate to help correct the deficiency, and submit to the Secretary a report describing the training and technical assistance offered or stating

the reasons for determining that training and technical assistance are not appropriate;

- (d) at the discretion of the State, offer the eligible entity an opportunity to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan and to either approve the proposed plan or specify reasons why the proposed plan cannot be approved;
 - (e) after providing adequate notice and an opportunity for a hearing, initiate proceedings to terminate the designation of or reduce the funding to the eligible entity unless the entity corrects the deficiency. [678(C)(a)]
- (12) To establish fiscal controls, procedures, audits and inspections as required under Sections 678D(a)(1) and 678D(a)(2) of the Act.
 - (13) To repay to the United States amounts found not to have been expended in accordance with the Act, or the Secretary may offset such amounts against any other amount to which the State is or may become entitled under the community services block grant program. [678D(a)(3)]
 - (14) To participate, by October 1, 2001, and ensure that all CSBG eligible entities in the State participate in the Results-Oriented Management and Accountability (ROMA) System. [678E(a)(1)]
 - (15) To prepare and submit to the Secretary an annual report on the measured performance of the State and its CSBG eligible entities, as described under 678E(a)(2) of the Act.
 - (16) To comply with the prohibition against use of community services block grant funds for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility, as described in Section 678F(a) of the Act.
 - (17) To ensure that programs assisted by community services block grant funds shall not be carried out in a manner involving the use of program funds, the provision of services, or the employment or assignment of personnel in a manner supporting or resulting in the identification of such programs with any partisan or nonpartisan political activity or any political activity associated with a candidate, or contending faction or group, in an election for public or party office; any activity to provide voters or prospective voters with transportation to the polls or similar assistance with any such election, or any voter registration activity. [678F(b)]

- (18) To ensure that no person shall, on the basis of race, color, national origin or sex be excluded from participation in, be denied benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with community services block grant program funds. Any prohibition against discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) or with respect to an otherwise qualified individual with a disability as provided in Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 1231 et seq.) shall also apply to any such program or activity. [678F(c)].
- (19) Section 679. Operational Rule.
- (a) Religious Organizations Included as Nongovernmental Providers--
For any program carried out by the Federal Government, or by a State or local government under this subtitle, the government shall consider, on the same basis as other non-governmental organizations, religious organizations to provide assistance under the program, so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution. Neither the Federal Government nor a State or local government receiving funds under this subtitle shall discriminate against an organization that provides assistance under, or applies to provide assistance under this subtitle, on the basis that the organization has a religious character.
- (b) Religious Character and Independence.
- (1) In General. A religious organization that provides assistance under a program described in subsection (a) shall retain its religious character and control over the definition, development, practice, and expression of its religious beliefs.
- (2) Additional Safeguards. Neither the Federal Government nor a State or local government shall require a religious organization---
- (A) to alter its form of internal governance, except (for purposes of administration of the community services block grant program) as provided in section 676B; or
- (B) to remove religious art, icons, scripture or other symbols in order to be eligible to provide assistance under a program described in subsection (a).
- (3) Employment Practices. A religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 (42 U.S.C. 2000e-1) regarding employment practices shall not be affected by its participation in, or receipt of funds from, programs described under subsection (a).

- (c) Limitations on Use of Funds for Certain Purposes. No funds provided directly to a religious organization to provide assistance under any program described in subsection (a) shall be expended for sectarian worship, instruction, or proselytization.
- (d) Fiscal Accountability.
 - (1) In General. Except as provided in paragraph (2), any religious organization providing assistance under any program described in subsection (a) shall be subject to the same regulations as other nongovernmental organizations to account in accord with generally-accepted accounting principles for the use of such funds provided under such program.
 - (2) Limited Audit. Such organization shall segregate government funds provided under such program into a separate account. Only the government funds shall be subject to audit by the government.
- (e) Treatment of CSBG eligible entities and Other Intermediate Organizations. If an eligible entity or other organization (referred to in this subsection as an ‘intermediate organization’), acting under a contract, or grant or other agreement, with the Federal Government or a State or local government, is given the authority under the contract or agreement to select non-governmental organizations to provide assistance under the programs described in subsection (a), the intermediate organization shall have the same duties under this section as the government.”

C. Other Administrative Certifications

The State also certifies to the following:

- (1) To provide assurances that cost and accounting standards of the Office of Management and Budget (OMB Circulars A-110 and A-122) shall apply to a recipient of community service block grant program funds.

- (2) To comply with the requirements of Public Law 103-227, Part C Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994, which requires that smoking not be permitted in any indoor facility owned or leased or contracted for by any entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18 if the services are funded by a Federal grant, contract, loan or loan guarantee. The State further agrees that it will require the language of this certification be included in any sub-awards, which contain provisions for children's services and that all sub-grantees shall certify accordingly.

Michel G. Gerber, Executive Director
Texas Department of Housing and Community Affairs

Date

V. NARRATIVE STATE PLAN

A. Administrative Structure

(1) State Administrative Agency

- (a) Outline the mission and responsibilities of the lead agency designated to administer the State's community services block grant program.

The mission of the Texas Department of Housing and Community Affairs is to help Texans achieve an improved quality of life through the development of better communities.

CSBG is administered by the Community Affairs Division of the Department. The responsibilities of the Department are to comply with the Act and adhere to all circulars and assurances required in the Act and stated in the Plan.

- (b) Goals and Objectives:

The Department's goal is to support efforts in identifying and ameliorating or eliminating the causes of poverty and to help solve problems that block the achievement of economic self-sufficiency. Its objectives are: to assure the availability of a mechanism to address the problems of poverty by funding community action agencies (CAAs) and other human service delivery organizations; and, to ensure opportunities exist for increased participation of the poor in activities of their community so they can also assist in solving their own problems.

(2) CSBG eligible entities

- (a) Provide a list of CSBG eligible entities.
Refer to Appendix D. for List of 2007 CSBG Eligible Entities.
- (b) Show geographic areas served.
Refer to Appendix E. for List of 2007 CSBG Program Service Areas.

(3) Distribution and Allocation of Funds - Planned Distribution for Current Fiscal Year

The Department distributes funds utilizing an electronic system. Within 30 days of notification from USHHS of the State's allocation for the year, the Department notifies CSBG eligible entities of the amount of funds to be distributed for the year.

For FFY 2007, the Department applied the formula referenced in V. B. to allocate the 90% flow-through funds to 47 local CSBG eligible entities. Refer to Appendix F. for the Texas FFY 2007 CSBG Allocations.

B. Description of Criteria and Distribution Formula

The Department utilizes a multi-factor funds distribution formula to equitably provide CSBG funds throughout its 254 counties which are served by the 47 CSBG eligible entities. The CSBG funds distribution formula includes four factors: a base award, a minimum floor, poverty population, and population density. The use of these factors ensures equity among all CSBG eligible entities, including the minimum operational funds driven by the floor factor and additional funds for sparsely populated areas. The floor ensures that small organizations are provided a reasonable amount of operational funds sufficient to administer the Community Services Block Grant and any other grants designed to serve the area's low-income population. The population density factor ensures that additional funds are provided to those organizations with sparsely populated service areas.

In FFY 2008 and FFY 2009, the Department will distribute CSBG funds to CSBG eligible entities based on a distribution formula which incorporates the 2000 U.S. Census figures at 125% of poverty; a \$50,000 base; a \$150,000 floor; 98% weighted factor for poverty population; and, a 2% weighted factor for the inverse ratio of population density. The formula is applied as follows: each eligible entity receives a base award; then, the weighted factors of poverty population and population density are considered. If the application of the base and factors does not yield sufficient funds for the minimum floor, then the minimum floor amount is reserved for those CSBG eligible entities and the formula is re-applied to the balance of the funds for the remaining CSBG eligible entities.

Limitations on use of funds are based on the cost and accounting standards as outlined in the circulars issued by the Office of Management and Budget, the CSBG Act, and any information Memorandums issued by USHHS. Each eligible entity is authorized to draw funds incrementally, for an amount not to exceed a 30-day need, in compliance with the Cash Management Improvement Act. CSBG eligible entities may carry-over CSBG funds from one 12 month performance period into the next 12 month performance period.

C. Description of Distribution and Use of Restricted Funds

In 2008 and 2009, as was done in 2007, 90% of the CSBG funds allotted to the State will be allocated to CSBG eligible entities based on the formula described in V.B. Appendix F contains the distribution amounts to be allocated to each CSBG eligible entity in 2007.

The Department determines the use of CSBG funds by reviewing the annual Community Action Plan (CAP Plan) submitted by each eligible entity. The CAP Plan must include a community needs assessment (due every 5 years), a

description of which of the identified needs are to be addressed, a description of the current service delivery, a description of the linkages and funding coordination, a description of the case management system, identification of the programs operated and services offered by the CSBG eligible entity, and a description of the projects that are planned or currently in operation categorized by the National Performance Indicators.

The Department does not recapture or redistribute CSBG funds since the CSBG Appropriations Act prohibits such.

D. Description of Distribution and Use of Discretionary Funds

Five percent (5%) of the Department's FFY 2008 and FFY 2009 annual CSBG allocations funds will be reserved to provide services to low-income migrant and seasonal farm worker and Native-American populations and to provide funds to CSBG eligible entities to respond to emergency needs as a result of man-made or natural disasters, including hurricanes, tornadoes, and floods. The Department reserves a portion of the 5% to provide funding to eligible applicants submitting a proposal for funding to support activities described in Sec.675(c)(1)(A)(B) and/or projects which are innovative community and/or neighborhood based initiatives. The Department will use discretionary funds to sponsor its Annual Community Affairs Division Training Conference which provides subrecipient organizations with best practices and information regarding programmatic and administrative requirements of contracted operations. The Department also reserves funds to confer monetary awards to subrecipient organizations with exemplary performance that have transitioned individuals out of poverty during the prior year's CSBG program operations and have met the Department's requirements set forth for eligibility for the award.

E. Description of Use of Administrative Funds

Five percent (5%) of the Department's annual CSBG allocation is used to cover state administrative costs including salary and benefits for state CSBG staff, a portion of operating costs (space, telephone, staff travel, etc.), and capital expenditures (furnishings, equipment, etc.). Indirect costs are charged based on the Department's approved indirect cost plan. The Department prepares an annual CSBG budget which is monitored by Internal Accounting Division staff to ensure that administrative expenditures do not exceed budget line items or the administrative cap. The Department will utilize a portion of its annual CSBG administrative funds for staff to attend state and national conferences and committee meetings and to attend other training conferences, including those held by the Texas Association of Community Action Agencies, Community Action Partnership, the National Association for State Community Services, etc. The attendance at these conferences, meetings, and hearings will assist CSBG staff to receive up to date information on CSBG initiatives, USHHS requirements and guidance, and best practices.

The State Auditor's Office examines the Department's fiscal records every year. A copy of the Department's General Purpose Financial Statements is included in this application. See Appendix C., TDHCA Audit Financial Statements--Period Ending 8/31/06.

The Charity Tax Credit Program is not applicable to this application.

F. State Community Services Program Implementation

(1) Program Overview

(a) The Service Delivery System

The State of Texas is comprised of 254 counties, each county is served by a CSBG eligible entity. Each entity uses CSBG funds to provide administrative support for an array of services that are funded through other federal, state, local and private resources. Many of the CSBG eligible entities offer a broad array of services including Head Start, education services, food, utility assistance, emergency assistance, employment supports, income management programs, housing assistance, transportation, medical assistance, energy and weatherization services, senior meal programs, youth projects, case management services, information and referral services to link clients to other service providers in the area, and many other services.

The CSBG program year in Texas begins January 1st and ends December 31st. Specific services vary among organizations; however, all CSBG eligible entities serve low-income individuals and families whose income is at or below 125% of poverty income guidelines. Although no attempt is made to dictate the types of services each CSBG entity is to provide, the Department ensures that each county is represented by an eligible entity and that each entity provides services to counties in an equitable manner and in accordance with the CSBG Act and contractual requirements.

CSBG eligible entities are required to provide services to the service area/counties designated in their contract. Since the State of Texas has a land mass of 267,339 square miles, the Department does not require that CSBG eligible entities have neighborhood/service centers in each county of their service area. However, CSBG eligible entities must make services available in the entire service area. In remote and less populated counties where a neighborhood center is not located, CSBG eligible entities visit the county on a scheduled basis or enter into agreements with local governments, non-profits, or church organizations, to serve as intake centers for persons to apply for CSBG services. In urban areas of the State, multiple neighborhood centers are located throughout the county and service area.

The State Application and Plan document includes Appendix D, which contains a List of 2007 CSBG Eligible Entities, Appendix E, which contains the List of 2007 CSBG Program Service Areas, and Appendix F, which contains the Texas' FFY 2007 CSBG Allocations to CSBG Eligible Entities.

The 2006 CSBG Annual Report documented that the Texas community action network administered programs supported with \$412.8 million in non-CSBG federal resources and \$23.2 million in state resources.

(b) Linkages

CSBG eligible entities operate within a network of local service providers to reduce duplication of effort and to coordinate resources to address various client circumstances. CSBG eligible entities have developed extensive information and referral networks and/or "one stop" service centers to meet the many needs of the clients seeking services. Linkages are established within the service area and are utilized to connect individuals to the array of local programs and services to meet the needs of family members. The coordination and linkages is key to CSBG eligible entity's ability to meet the needs of their clients. CSBG eligible entities are to follow-up with clients and/or referral sources to determine if clients referred received the needed services. Similar efforts will continue in FFY 2008 and FFY 2009.

As a condition of continued receipt of CSBG funds each year, each CSBG eligible entity is required to submit an annual Community Action Plan (CAP). Each Community Action Plan must include information on the implementation of an effective case management program which assists low-income individuals attain an income above the 125% level of the federal poverty income guidelines. The CSBG eligible entity determines which clients are appropriate for comprehensive case management services. The provision of case management includes an assessment of the household's needs and a plan of action to meet the needs and regular follow-up to ensure that clients are making progress in meeting established goals.

The Department supports the establishment of effective case management services in several ways, including the distribution of a manual which outlines the requirements of a case management system and the provision of training and technical assistance. Each entity reports monthly on the progress of the clients who are receiving case management services and working towards the achievement of an income above 125% of the federal poverty income guidelines. Case management procedures, as well as the overall progress, on the number

clients attaining self-sufficiency are reviewed during the on-site CSBG monitoring process conducted by Department program officers.

(c) Coordination with other Public and Private Resources

The Texas Government Code Section 2306.097 requires that CSBG operate in conjunction with energy programs for low-income individuals. In accordance with this requirement, the majority of the CSBG eligible entities administer the Comprehensive Energy Assistance Program (CEAP), funded with Low-Income Home Energy Assistance Program (LIHEAP) block grant funds, as well as the Weatherization Assistance Program for Low-Income Persons, funded by the U. S. Department of Energy.

In addition, the Community Action Plan for each CSBG eligible entity must include a description of how the entity coordinates and mobilizes public and private resources to effect maximum leveraging for CSBG funds. CSBG funds provide the infrastructure to enable CSBG eligible entities to operate a vast array of anti-poverty and social service programs. Coordination of public and private funding takes place at the local level in different ways. CSBG eligible entity staff and/or administrators meet with other providers in the service area to determine how best to not duplicate services and to provide the services needed to meet the emergency needs of low-income persons and to establish programs which assist low-income persons to transition out of poverty. In 2006, the Texas community action network administered programs supported with \$37.6 million in local public funds and \$40.1 million in private sector resources. It is anticipated that Texas CSBG eligible entities will leverage funds in FFY 2008 and FFY 2009 similar to what is on record for 2006.

(d) Innovative Community and Neighborhood-based Initiatives

At least every five years, each CSBG eligible entity is required to conduct an assessment of the needs of the persons in their CSBG service area. As a result of this assessment, the entity develops a plan as to how best to identify, coordinate, and/or develop local resources to address at least one of the needs identified in the community assessment. Additionally, in their annual CAP Plan they must describe the community improvement and revitalization projects to be operated and efforts to improve the quality of life and assets in low-income neighborhoods. The description of these projects and efforts is to include discussion of partners and collaborators and methods that will be used to evaluate progress in achieving their goals. CSBG funds are utilized to plan such projects and efforts and to support the operation of the project and provision of services. Information on performance and specific initiatives is outlined in Appendix O., the Texas FFY 2006 CSBG Annual Report.

(2) Community Needs Assessments

Texas Administrative Code, Title 10, Part 1, Chapter 5, Subchapter A. §5.9. requires that each CSBG eligible entity conduct a Community Needs Assessment at least every five years. The Department provides written guidance on the requirements for the Community Needs Assessment. CSBG eligible entities are encouraged to coordinate the preparation of their CSBG Community Needs Assessment with similar assessments required by other funding sources. The state requests that CSBG eligible entities update their Community Needs Assessment when major changes occur (i.e., loss of a major employer, downturn in the local economy, etc.).

Based on the results of the Community Needs Assessment, CSBG eligible entities must choose at least one cause of poverty and mobilize community resources in a plan to address that issue. Each entity reports to the Department on the progress on the issue identified and the results achieved.

(3) Tripartite Boards

Sec. 676B of the CSBG Act sets for the requirements for each eligible entity to have a tri-partite board. The Department has set forth such requirements in Texas Administrative Code, Title 10, Part 1, Chapter 5, Subchapter A. Sec. 5.10. The Department maintains a copy of each entity's bylaws which describe the methods used to select representatives to the Board. In addition, on-site monitoring procedures include a review of the entity's bylaws, board roster, attendance records, and minutes of board meetings. Board training is provided by the Department on a request basis, at the Annual Community Affairs Training Conference, or at the discretion of the Department, if the Department identifies significant board related problems.

(4) State Charity Tax Program

Not applicable in this state.

(5) Programmatic Assurances

(a) Assurance 676(b)(1) of the CSBG Act.

CSBG funds made available through the grant or allotment will be used:

(1) To support activities as listed in 676(b)(1)(A).

The Department will meet this assurance through the annual review of the Community Action Plans (CAP Plan) submitted by each entity prior to the State's commitment of CSBG funds. Each CAP Plan is

required to describe the efforts that eligible entities will make in any of the areas outlined in 676(b)(1). CSBG program officers are assigned to review each year's CAP Plan 60 to 90 days prior to the next CSBG program year. CAP Plans must include the services that are to be supported with the allowable uses of CSBG funds and must identify how the services are to be coordinated with other service providers in the community. Compliance with federal requirements and regulations, the CSBG Act, CSBG contract provisions, and the CAP Plan is reviewed during the on-site CSBG monitoring process.

Listed below are examples of the types of activities conducted to support compliance with this assurance.

- (i) to remove obstacles and solve problems that block the achievement of self-sufficiency--sponsorship of tutoring classes to facilitate obtainment of a high school diploma or a general equivalency diploma; payment of college supplies, materials, and tuition costs; and, case management sessions to enhance progress toward client self-sufficiency.
- (ii) to secure and retain meaningful employment--arrangements for job counseling sessions; conducting mock job interviews; and, sponsorship of job fairs.
- (iii) to attain an adequate education, with particular attention toward improving literacy skills--establishment of cooperative agreements with schools or universities to arrange classes to meet local educational needs; payment of tuition costs; and, career counseling through case management sessions.
- (iv) to make better use of available income--arrangements for budget and financial counseling sessions; enrollment in case management programs; and participation in Individual Development Accounts (IDA's) projects to take advantage of matched savings initiatives.
- (v) to obtain and maintain adequate housing and a suitable living environment--provision of housing rent subsidies; payment of security deposits; and, issuance of housing vouchers to provide emergency housing or shelter accommodations in disaster situations.
- (vi) to obtain emergency assistance through loans, grants, or other means to meet immediate and urgent family and individual needs--issuance of rental payment vouchers to prevent eviction; utility assistance payments to prevent termination of utility services; and, use of controlled debit cards honored for allowable purchases in disaster assistance situations.

(vii) to achieve greater participation in the affairs of the communities involved, including the development of public and private grassroots partnerships with local law enforcement agencies, local housing authorities, private foundations, and other public and private partners--adherence by local CSBG eligible entities to contract provisions to ensure adequate representation on the tripartite boards by the public, private, and low-income sector groups; cooperative agreements with public housing authorities to honor housing vouchers in times of addressing the emergency needs of disaster victims; and partnerships established between CSBG eligible entities and foundations or local banking institutions to obtain the matching funds required for Individual Development Accounts (IDA's).

- (2) To address the needs of youth in low-income communities through youth development programs that support the primary role of the family, give priority to the prevention of youth problems and crime, and promote increased community coordination as per 676(b)(1)(B).

CSBG eligible entities conduct a community needs assessment at least every five years, through which each entity prioritizes and addresses the needs identified. Several CSBG eligible entities routinely use CSBG funds to support the operation of youth mentoring programs, life skills training, jobs programs and after school programs. The Department also supports Individual Development Accounts (IDA) projects operated by CSBG eligible entities. IDA projects enable persons to establish savings plans and utilize savings to attend college, purchase a home, or capitalize a small business. Many of the persons enrolled in IDA programs are young adults.

- (3) To make more effective use of, and to coordinate with, other programs (including State welfare reform efforts) as per 676(b)(1)(C).

All CSBG eligible entities depend on a strong information and referral system to provide effective, comprehensive assistance to program participants. Many CSBG eligible entities administer Head Start, Family Planning, Transportation, Housing, and Senior programs in conjunction with CSBG. State legislation, Texas Government Code 2306.097, requires that energy services programs that serve low-income individuals operate in conjunction with the CSBG Program.

The coordination with other programs in the community enables clients to receive a multitude of services needed such as education services to complete a GED or attend college; to seek and obtain employment; to seek counseling and rehabilitative services; to learn budgeting and saving skills; to obtain adequate housing; to obtain emergency assistance such as food, utility, clothing; to participate in the affairs of the community through attendance at community meetings, through participation in their

child's school activities, to serve on boards. The CSBG eligible entity, often times, does not have all the resources to meet the needs of the entire household and therefore they must provide a means for clients to receive needed services through collaborative efforts.

- (4) As per 676(b)(2) the State will make available CSBG discretionary funds to support innovative community and neighborhood based initiatives related to the purpose of the CSBG Act. Such initiatives are considered when the Department receives requests for proposals and at times when the Department solicits such proposals.
 - (5) As per 676(b)(3) the State will require CSBG eligible entities to submit a description of the service delivery system, how linkages will be developed to fill identified gaps in services, through the provision of information, referrals, case management and follow-up consultations; and a description of how CSBG funds will be coordinate with other public and private resources.
- (b) Assurance 676(b)(4) To ensure that CSBG eligible entities in the State will provide, on an emergency basis, for the provision of such supplies and services, nutritious foods, and related services as may be necessary to counteract conditions of starvation and malnutrition among low-income individuals as per 676(b)(4).

All CSBG eligible entities either operate a food pantry on-site, or they make referrals to a local pantry where needy families can have access to food items donated by members of the community. Some CSBG eligible entities administer the Women, Infants and Children (WIC) Program, other food programs sponsored by the U.S. Department of Agriculture, and senior congregate and home-delivered meals programs. Depending on the location within the State, CSBG eligible entities will also coordinate with the Texas Association of Community Action Agencies for accessing donated game meat from the Hunters for the Hungry Program and surplus food produce items from the Share Our Surplus Program.

- (c) CSBG eligible entities in the State will coordinate and establish linkages between governmental and other social services programs to ensure the effective delivery of services to low-income individuals as per 676(b)(5)..

CSBG eligible entities operate within a network of local service providers to reduce duplication of effort and to coordinate resources to address various client circumstances. Many CSBG eligible entities have developed extensive information and referral networks and/or "one stop" service centers. The Community Action Plan of each CSBG eligible entity must include a description of how the entity coordinates public and private resources to leverage with CSBG funds.

(d) The State will ensure coordination among antipoverty programs as per 676(b)(6)..

(i) Section 2306.097 of the Texas Government Code requires that the CSBG Program operate in conjunction with the Energy Services Program for Low-Income Individuals; therefore, the majority of the CSBG eligible entities administer the Comprehensive Energy Assistance Program (CEAP) as well as the Weatherization Assistance Program For Low-Income Persons using funds provided by the U. S. Department of Energy. In addition, several CSBG eligible entities have a working relationship with local Workforce Boards and administer welfare-to-work programs.

(ii) In compliance with assurance 676(b)(7), cooperation with federal investigations.

The Department will make appropriate records available to federal investigators in a timely manner. In addition, the CSBG contractual agreements between the Department and eligible entities include a requirement that the eligible entities agree to cooperate with any such investigations and requires that an eligible entity and their sub-contractors maintain records relating to the operation of the CSBG program for at least three years.

(iii) In compliance with assurance 676(b)(8) on CSBG funding reduction/ termination.

All eligible entities are funded based on a state funding distribution formula and on the Terms and Conditions specific to the year's CSBG grant. If the Department identifies deficiencies in the operation of a CSBG eligible entity, the Department will enforce each corrective action delineated. Deficiencies are identified during on-site monitoring, desk monitoring of monthly reports, audit resolution procedures, and during the evaluation of other factual data. If an entity is at risk of losing CSBG eligible entity status or funding routinely received as a result of such status, the Department will invoke the assurance to comply with Section 676(b)(8) by stating the cause and providing to the entity written notice and an opportunity for an administrative hearing. In the interim, the State will ensure that funding is maintained for the "at risk" CSBG eligible entity based on the state's CSBG funds distribution formula and within its proportionate share of the funds received by the State.

(e) The State and CSBG eligible entities in the State will, to the maximum extent possible, coordinate programs and form partnerships with other organizations serving low-income residents of the communities and members of the groups served by the State, including religious organizations, charitable groups, and community organizations as per 676(b)(9)..

The Department is committed to working with faith-based organizations. Some CSBG eligible entities subcontract with faith-based organizations to provide services and most have partnerships with faith-based organizations. In addition, local organizations have traditionally partnered with faith-based organizations to expand resources and to provide services to low-income individuals and families.

- (i) In compliance with assurance 676(b)(10), the bylaws of each CSBG eligible entity establish procedures under which organizations or individuals may petition for adequate representation on the governing board (or other mechanism) of the eligible entity. Guidance to the CSBG eligible entities on how to comply with Section 676B Tripartite Boards of the Act is provided through board training and action items issued by the Department. During the on-site monitoring review, the Department verifies that the CSBG eligible entity maintains a current copy of each board-related policy issuance or action item to facilitate the availability of procedures to ensure adequate representation by the low-income sector on the governing board or other mechanism. CSBG state program officers provide training and technical assistance as deemed necessary to ensure compliance with this assurance that addresses adequate low-income representation on the local Boards or other mechanism.
- (ii) In compliance with assurance 676(b)(11), the Department must secure from each CSBG eligible entity in the State, as a condition to receipt of funding, a community action plan (which shall be submitted to the Secretary, at the request of the Secretary, with the State Plan) that includes a community needs assessment for the community served, which may be coordinated with community-needs assessments conducted for other programs.

As a condition of continued receipt of CSBG funds each year, each CSBG eligible entity is required by the Department to submit an annual Community Action Plan (CAP). Each Community Action Plan must include information on the implementation of an effective case management program which assists low-income individuals attain an income above the 125% level of the poverty income guidelines. State program officers are assigned to review and approve each Community Action Plan 60 to 90 days prior to the Department's execution of contract action to authorize the next year's allocation of CSBG funds. Each Community Action Plan is prepared based on a community needs assessment conducted by each CSBG eligible entity every five years in accordance with the Department's requirements. The Department's most recent issuance to facilitate this process is CSBG Policy Issuance #2005-9.23--Community Needs Assessment. See Appendix N. Entities are encouraged to coordinate the preparation of their CSBG Community

Needs Assessment with similar assessments required for other programs by other funding sources.

- (iii) Results-Oriented Management and Accountability (ROMA):
The following is a description of how the State will comply with the assurance in 676(b)(12) of the Act.

In 2001 and for several years thereafter, Texas CSBG eligible entities reported outcomes information utilizing the ROMA reporting format as required by the U. S. Department of Health and Human Services. The Department then began gathering performance data reported by CSBG eligible entities on the National Goals and aggregated the same on a statewide basis to report outcomes information for the National Association for State Community Services Programs' (NASCSPP) Information Systems (IS) Survey. In 2006, the Department began reporting performance based data on the National Goals/National Performance Indicators (NPI) outlined below. The NPI reporting system is being utilized in 2007 and will be used in 2008 and 2009 as well to relay outcomes information and to facilitate completing portions of the National IS Survey and the state's CSBG Annual Report.

During Spring 2007, the Department conducted a series of five (5) regional cluster workshops relating to case management practices leading to the transition of persons out of poverty. The training was designed to facilitate and enhance the number of persons to be transitioned out of poverty annually by the Texas community action network. Effective within the 2008 program year, the Department will require CSBG eligible entities to establish 12-month targets for the number of persons that they plan to transition out of poverty. The Department plans to monitor each eligible entity's progress toward meeting their annual target for transitioning persons out of poverty. If sufficient progress is not being maintained in meeting the annual target, then the Department will reference the same as a "finding" during the monitoring process.

- (iv) Sections V. F., G., H., and I. and provide information describing how the State will carry out the assurances in 676(b)(13)

G. Fiscal Controls and Monitoring

(1) State Program Monitoring

- (a) Full on-site review of each such entity at least once during each 3 year period.

The Department will ensure that each CSBG eligible entity shall be monitored at least once every three years in accordance with the CSBG Act. It is the Department's goal to monitor each organization receiving CSBG funds at a minimum every two years. The Community Affairs Division conducts joint monitoring reviews for CSBG eligible entities that receive CSBG and Low Income Home Energy Assistance Program. Monitoring will be conducted in accordance with Section 678B (a) of the Community Services Block Grant Act and the guidance provided to states in Information Memorandum Transmittal No. 97, dated October 10, 2006.

The Department employs a risk based monitoring system which is based upon an assessment of associated risks. The factors include the status of the most recent monitoring report, timeliness of grant reporting, results of the last on-site monitoring review, the number of programs funded by the Department, the funding amounts provided by the Department, and the single audit status. Organizations that attain the highest risk assessment score will have the highest monitoring priority. This procedure will allow the Department to first monitor entities with the highest risk factors and to identify and deficiencies early on and to provide technical assistance on specific needs which have been identified. CSBG eligible entities that are not monitored in the current year will automatically rate a higher risk score the following year.

After an on-site monitoring visit, the CSBG program officer will provide a written monitoring report to the entity's executive director that documents the findings, corrective actions required, and recommended actions. CSBG eligible entities and other CSBG funded organizations are required to respond to the report with an assigned time frame. The program officer will evaluate the adequacy of the responses and corrective action. A follow-up on-site monitoring will be scheduled as deemed necessary. A copy of the state's monitoring report is also provided to the presiding officer of the entity's governing board, for monitoring reviews of CSBG eligible entities organizations have 45 days to respond to the report and for CSBG/CEAP subrecipients they have 60 days to respond to the report.

(b) An on-site review of each newly-designated entity.

The Department will ensure that any new CSBG eligible entity designated in either FFY 2008 or FFY 2009 will receive comprehensive training and technical assistance during its first year of operation. Furthermore, the state will schedule an on-site monitoring review of such new CSBG eligible entities and other CSBG funded organizations immediately after their first year of CSBG-supported operations.

(c) Follow-up reviews.

If the on-site monitoring reveals serious deficiencies and the deficiencies are not corrected in a timely manner in accordance with requirements, the Department will conduct a follow-up on-site team monitoring review and provide training and technical assistance as deemed necessary.

(d) Other reviews as appropriate.

The State also conducts routine in-house desk reviews which include an examination of performance and expenditure rates based on monthly reports submitted to the Department by each eligible entity.

When a CSBG eligible entity is experiencing problems with programs other than CSBG, the Department maintains close contact with the entity to ensure that state staff members are available to provide training and technical assistance as deemed necessary for the CSBG program operations.

(e) Audit period and date of last audit submitted by each eligible entity.

Appendix G. contains information regarding each eligible entity's audit period, as well as the date of submission for the last audit.

(2) Corrective Action, Termination and Reduction of Funding

When deficiencies are identified within a CSBG eligible entity's program operations, the Department evaluates the severity of the discrepancies and may impose appropriate sanctions in accordance with Section 678C of the CSBG Act. Program deficiencies and corrective action requirements will be communicated to the CSBG eligible entity in writing. The Director of the Community Affairs Division shall consider all recommendations for corrective action.

(a) In the event that the Department determines that an eligible entity fails to comply with the terms of an agreement or the State plan, to provide services under the community services block grant program or to meet appropriate standards, goals, and other requirements established by the State (including performance objectives), the Department will:

- (i) inform the eligible entity of the deficiency to be corrected;
- (ii) require the eligible entity to correct the deficiency;
- (iii) Offer training and technical assistance, if appropriate, to help correct the deficiency, and prepare and submit to the Secretary a report describing the training and technical assistance offered; or if the State determines that such training and technical assistance are not appropriate, prepare and submit to the Secretary a report stating the reasons for the determination;
- (iv) at the discretion of the State (taking into account the seriousness of the deficiency and the time reasonably required to correct the deficiency),

- allow the entity to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan to correct such deficiency within a reasonable period of time, as determined by the State, and (B) not later than 30 days after receiving from an eligible entity a proposed quality improvement plan pursuant to subparagraph (A), either approve such proposed plan or specify the reasons why the proposed plan cannot be approved; and
- (v) after providing adequate notice and an opportunity for a hearing, initiate proceedings to terminate the designation of or reduce CSBG funding of the eligible entity unless the entity corrects the deficiency.

Department staff will be available, at every point in the corrective action process, to provide technical assistance to the entity's staff and its governing body.

(3) Fiscal Controls, Audits, and Withholding

In compliance with assurance 678D(a)(1) and 678D(a)(2) of the Act, the Department provides for fiscal controls through fund accounting procedures that are maintained at both the state and sub-grantee levels. The Department has a comprehensive system of internal controls specifically designed to ensure compliance with the provisions of the CSBG Act. The Department's financial and other records are audited on an annual basis by the State Auditor's Office and a copy of the Audit is submitted to the Texas Legislature and to the Secretary of the U.S. Department of Health and Human Services. The Department's audited financial statements from the fiscal year ending August 31, 2006 are included in this state plan/application as Appendix C.

- (a) In compliance with assurance 676(b)(7), cooperation with federal investigations.

The Department will make appropriate records available to federal investigators in a timely manner. In addition, the CSBG contractual agreements between the Department and CSBG eligible entities and other CSBG funded organizations include a requirement that the CSBG eligible entities and other CSBG funded organizations agree to cooperate with any such investigations and requires that an eligible entity and their sub-contractors maintain records relating to the operation of the CSBG program for at least three years.

- (b) In compliance with assurance 676(b)(8) on CSBG funding reduction/termination.

The Department will comply with 676(b)(8) and will not terminate funding or reduce funding below the proportional share of the funding received in the previous fiscal year of a CSBG eligible entity that received funding in the previous fiscal year, unless after providing notice

and an opportunity for a hearing on the record, the State determines cause exists for termination or such reduction.

- (c) In compliance with assurance 676(b)(10), the bylaws of each CSBG eligible entity establish procedures under which organizations or individuals may petition for adequate representation on the governing board (or other mechanism) of the eligible entity.

Guidance to the CSBG eligible entities on how to comply with Section 676B Tripartite Boards of the Act is provided in Texas Administrative Code, Title 10, Part 1, Chapter 5, Subchapter A., Sec. 5.10.. The Department also provides board training and information action items issued by the Department. CSBG eligible entities must establish procedures whereby organizations or individuals may petition for adequate representation on the governing board (or other mechanism) of the eligible entity. The Department monitors compliance with such requirement during on site monitoring reviews.

H. Accountability and Reporting Requirements

- (1) Results-Oriented Management and Accountability (ROMA):

The following is a description of how the State will comply with the assurance in 676(b)(12) of the Act.

Beginning in 2001 and for several years thereafter, Texas CSBG eligible entities began reporting outcomes information related to the ROMA reporting requirements as required by the U. S. Department of Health and Human Services. In FFY 2006, the Department subsequently began gathering performance data reported by CSBG eligible entities on the National Goals, aggregated data on a statewide basis to report outcome information for the National Association for State Community Services Programs' (NASCSPP) Information Systems (IS) Survey. In 2006, the Department began reporting performance-based data on the National Goals/National Performance Indicators (NPI) outlined below. The NPI reporting system is being utilized in 2007 and will also be used in 2008 and 2009 to report outcome information and to facilitate completing portions of the National IS Survey and the State's CSBG Annual Report.

During Spring 2007, the Department conducted a series of five (5) regional cluster workshops relating to case management practices leading to the transition of persons out of poverty. The training was designed to facilitate and enhance the number of persons to be transitioned out of poverty annually by the Texas community action network. Effective within the 2007 program year, the Department will require CSBG eligible entities to establish 12-month targets for the number of persons that they plan to transition out of poverty. The Department plans to monitor each eligible entity's progress toward meeting their annual target for transitioning persons out of poverty. By FFY 2008 and beyond, if CSBG eligible entities have not made sufficient

progress in meeting the annual target, the Department will identify such deficiency in the monitoring report.

Goal 1: Low-Income People Become More Self-Sufficient

National Performance Indicator 1.1 – Employment

The number and percentage of low-income participants in community action employment initiatives who get a job or become self-employed as measured by one or more of the following:

- A. Unemployed and obtained a job.
- B. Employed and obtained an increase in employment income.
- C. Achieved “living wage” employment and benefits.

National Performance Indicator 1.2 – Employment Supports

The number of low-income participants for whom barriers to initial or continuous employment are reduced or eliminated through assistance from community action as measured by one or more of the following:

- A. Obtained pre-employment skills/competencies required for employment and received training program certificate or diploma.
- B. Completed ABE/GED and received certificate or diploma.
- C. Completed post-secondary education program and obtained certificate or diploma.
- D. Enrolled children in “before” or “after” school programs, in order to acquire or maintain employment.
- E. Obtained care for child or other dependant in order to acquire or maintain employment.
- F. Obtained access to reliable transportation and/or driver’s license in order to acquire or maintain employment.
- G. Obtained health care services for themselves or a family member in support of employment stability.
- H. Obtained safe and affordable housing in support of employment stability.
- I. Obtained food assistance in support of employment stability

National Performance Indicator 1.3 – Economic Asset Enhancement and Utilization

The number and percentage of low-income households that achieve an increase in financial assets and/or financial skills as a result of community action assistance, and the aggregated amount of those assets and resources for all participants achieving the outcome, as measured by one or more of the following:

- A. Enhancement –
 - 1. Number and percent of participants in tax preparation programs who identify any type of Federal or State tax credit and the aggregated dollar amount of credits
 - 2. Number and percentage obtained court-ordered child support payments and the expected annual aggregated dollar amount of payments.
 - 3. Number and percentage enrolled in telephone lifeline and/or energy discounts with the assistance of the agency and the expected aggregated dollar amount of savings.
- B. Utilization –
 - 1. Number and percent demonstrating ability to complete and maintain a budget for over 90 days.
 - 2. Number and percent opening an Individual Development Account (IDA) or other savings account and increased savings, and the aggregated amount of savings.
 - 3. Of participants in a community action asset development (IDA and others):
 - a. Number and percent capitalizing a small business due to accumulated savings.
 - b. Number and percent pursuing a post-secondary education due to savings.
 - c. Number and percent purchasing a home due to accumulated savings.

Goal 2: The Conditions in Which Low-Income People Lives are Improved

This set of measures collects outcomes on successful CAA projects that build “community assets,” including not only material improvements, like affordable homes and safe streets, but even changes in public policy that will reduce the causes of poverty and revitalize the low-income community.

National Performance Indicator 2.1 Community Improvement and Revitalization

Increase in, or preservation of opportunities and community resources or services for low-income people in the community as a result of community action projects/ initiatives or advocacy with other public and private agencies, as measured by one or more of the following:

- A. Accessible “living wage” jobs created or retained in the community.
- B. Safe and affordable housing units created in the community.
- C. Safe and affordable housing units in the community preserved or improved through construction, weatherization or rehabilitation achieved by community action activity or advocacy
- D. Accessible and affordable health care services/facilities for low-income people created or maintained.
- E. Accessible safe and affordable childcare or child development placements opportunities for low-income families created or maintained.
- F. Accessible “before” school and “after” school program placement opportunities for low-income families created or maintained.
- G. Accessible new, preserved, or expanded transportation resources
available to low-income people, including public or private transportation.
- H. Accessible preserved or increased educational and training placement opportunities for low-income people in the community, including vocational, literacy, and life skill training, ABE/GED, and post-secondary education.

National Performance Indicator 2.2 -- Community Quality of Life and Assets

The quality of life and assets in low-income neighborhoods are improved by community action initiative or advocacy, as measured by one or more of the following:

- A. Increases in community assets as a result of a change in law, regulation or policy, which results in improvements in quality of life and assets;
- B. Increase in the availability or preservation of community facilities;
- C. Increase in the availability or preservation of community services to improve public health and safety;
- D. Increase in the availability or preservation of commercial services within low-income neighborhoods; and

E. Increase or preservation of neighborhood quality-of-life resources.

Goal 3: Low-Income People Own a Stake in Their Community

National Performance Indicator 3.2 – Community Empowerment through Maximum Feasible Participation

The number of low-income people mobilized as a direct result of community action initiative to engage in activities that support and promote their own well-being and that of their community as measured by one or more of the following:

- A. Number of low-income people participating in formal community organizations, government, boards or councils that provide input to decision-making and policy setting through community action efforts.
- B. Number of low-income people acquiring businesses in their community as a result of community action assistance.
- C. Number of low-income people purchasing their own homes in their community as a result of community action assistance.
- D. Number of low-income people engaged in non-governance community activities or groups created or supported by community action.

Goal 4: Partnerships Among Supporters and Providers of Service to Low-Income People are Achieved

National Performance Indicator 4.1 – Expanding Opportunities through Community-Wide Partnerships

The number of organizations, both public and private, community action actively works with to expand resources and opportunities in order to achieve family and community outcomes.

Goal 5: Agencies Increase Their Capacity to Achieve Results

National Performance Indicator 5.1 – Broadening the Resource Base

The number of dollars mobilized by community action, including amounts and percentages from:

- A. Community Services Block Grant (CSBG)
- B. Non-CSBG Federal Programs
- C. State Programs
- D. Local Public Funding
- E. Private Sources (including foundations and individual contributors, goods and services donated)
- F. Value of volunteer time

[Empty Box]

Goal 6: Low-Income People, Especially Vulnerable Populations, Achieve Their Potential by Strengthening Family and Other Supportive Systems

National Performance Indicator 6.1 – Independent Living

The number of vulnerable individuals receiving services from community action that maintain an independent living situation as a result of those services:

- A. Senior Citizens; and
- B. Individuals with Disabilities

National Performance Indicator 6.2 – Emergency Assistance

The number of households served by community action that sought emergency assistance and the percentage of those households for which assistance was provided, including such services as:

- A. Food
- B. Emergency Payments to Vendors, including Fuel and Energy Bills
- C. Temporary Shelter
- D. Emergency Medical Care
- E. Protection from Violence
- F. Legal Assistance
- G. Transportation
- H. Disaster Relief

National Performance Indicator 6.3 – Child and Family Development

The number and percentage of all infants, children, youth, parents, and other adults participating in developmental or enrichment programs that achieve program goals, as measured by one or more of the following:

- A. Infants and Children –
 1. Infants and children obtain age appropriate immunizations, medical and dental care.
 2. Infant and child health and physical development are improved as a result of adequate nutrition.
 3. Children participate in pre-school activities to develop school readiness skills.
 4. Children who participate in pre-school activities are developmentally ready to enter Kindergarten or 1st Grade.
- B. Youth –
 1. Youth improve physical health and development.
 2. Youth improve social/emotional development.
 3. Youth avoid risk-taking behavior for a defined period of time.
 4. Youth have reduced involvement with criminal justice system.

5. Youth increase academic, athletic or social skills for school success by participating in before or after school programs.
- C. Parents and Other Adults –
1. Parents and other adults learn and exhibit improved parenting skills.
 2. Parents and other adults learn and exhibit improved family functioning skills.

(2) Annual Report: Section 678E (a)(2) of the Act requires each state to prepare and submit to the Secretary an annual report on the measured CSBG performance of the Department and its CSBG eligible entities .

The State of Texas submitted the 2006 CSBG Annual Report, Appendix O., in March 2007 based on Section 678E (a) (2) and guidance from USHHS Information Memorandum No. 95.

The State of Texas will comply with the requirement to submit the 2007 CSBG Annual Report outlining the network's activities and performance by March 31, 2008. The Department will submit Annual Reports for Texas' FFY 2008 and FFY 2009 CSBG program operations in accordance with CSBG Act provisions and supplemental USDHHS instructions.

I. Administrative Assurances

The Department further agrees to the following as required under the Act:

- (1) On a bi-annual basis, the Department submits an application to the Secretary describing the programs for which assistance is being sought under the community services block grant program in accordance with the information described in Section 676 of the Act.
- (2) Of the CSBG funds made available to the State by the Secretary under Section 675A and 675B of the Act, the Department allocates 90% of these funds to CSBG eligible entities to administer the community services block grant program and to make such funds available to CSBG eligible entities for obligation during the fiscal year and the succeeding fiscal year, subject to the provisions regarding recapture and redistribution of unobligated funds as outlined in [675C(a)(1) and (2)].
- (3) Due to provisions in the federal appropriations act, the Department does not recapture and redistribute CSBG funds allocated to any CSBG eligible entity when the annual unobligated grant amount exceeds 20 percent of their annual grant award. Unless such provisions change in 2008 and 2009, the Department will not recapture nor redistribute recaptured funds to an eligible entity
- (4) The Department will spend no more than the greater of \$55,000 or 5 percent of its grant received under Section 675A or the State allotment received under Section 675B for administrative expenses, including monitoring activities.
- (5) The State does not have a charity tax credit.
- (6) The Department will hold four hearings throughout the State to provide the public an opportunity to comment on the proposed use and distribution of funds to be provided through the grant or allotment under Section 675A or 675B for the period covered by the State Plan. Hearings will be scheduled with sufficient time and statewide distribution of notice to allow maximum public participation and in accordance with Texas Administrative Code, Title 10, Part 1, Chapter 5, Subchapter A., §5.8. Notice of the meeting will be published 15 days prior to the first hearing and the Plan will be posted on the Department's website at least 10 days prior to the first hearing.
- (7) The governor of the State through Texas Government Code 2306.092(11) authorized the Texas Department of Housing and Community Affairs(TDHCA) to administer community affairs and community services programs. In 1999, the governor designated TDHCA as the lead agency to administer the CSBG Block Grant.
- (8) The Department holds one legislative hearing every two years in conjunction with the development of the State Plan. Hearings for the 2008 and 2009 budget were held in February 2007.

- (9) The Department posts the State Plan and subsequent revised plans on the Department's website and includes a request for review and comment. Paper copies of the State Plan are also provided upon request.
- (10) The Department conducts the following reviews of CSBG eligible entities and organizations receiving CSBG funds:
- (a) full on-site review of each CSBG eligible entity at least once during each three-year period;
 - (b) an on-site review of each newly designated entity immediately after the completion of the first year in which such entity receives funds through the community services block grant program;
 - (c) follow-up reviews including prompt return visits to CSBG eligible entities and organizations receiving CSBG funds, and their programs, that fail to meet the goals, standards, and requirements established by the Department;
 - (d) other reviews as appropriate, including reviews of CSBG eligible entities with programs that have had other Federal, State or local grants (other than assistance provided under the community services block grant program) terminated for cause.
- (11) In the event that the Department determines that an eligible entity fails to comply with the terms of an agreement or the State plan, to provide services under the community services block grant program or to meet appropriate standards, goals, and other requirements established by the State (including performance objectives), the Department will:
- (a) inform the eligible entity of the deficiency to be corrected;
 - (b) require the eligible entity to correct the deficiency;
 - (c) Offer training and technical assistance, if appropriate, to help correct the deficiency, and prepare and submit to the Secretary a report describing the training and technical assistance offered; or if the State determines that such training and technical assistance are not appropriate, prepare and submit to the Secretary a report stating the reasons for the determination;
 - (d) at the discretion of the State (taking into account the seriousness of the deficiency and the time reasonably required to correct the deficiency), allow the entity to develop and implement, within 60 days after being informed of the deficiency, a quality improvement plan to correct such deficiency within a reasonable period of time, as determined by the State, and (B) not later than 30 days after receiving from an eligible entity a proposed quality improvement plan pursuant to subparagraph (A), either approve such proposed plan or specify the reasons why the proposed plan cannot be approved; and
 - (e) after providing adequate notice and an opportunity for a hearing, initiate proceedings to terminate the designation of or reduce CSBG funding of the eligible entity unless the entity corrects the deficiency.
- (12) The Department maintains fiscal controls, procedures, audits and inspections as required under Sections 678D(a)(1) and 678D(a)(2) of the Act. The

Department's financial division has established fiscal controls and fund accounting procedures to assure proper disbursement and accounting of funds. The Department also has monitoring procedures to ensure that expenditures charged to CSBG funds are done in compliance with cost and accounting standards of the Office of Management and Budget. The Department has an audit conducted every year. The Department makes available all documents and records to federal authorities. The Department's Portfolio Management and Compliance division is responsible for ensuring that recipients of CSBG funds meet audit requirements set forth in 678D.(2).

- (13) The Department will repay to the federal funding agent any amount that is found not to have been expended in accordance with the Act.
- (14) The Department ensures that all CSBG eligible entities participate in the Results-Oriented Management and Accountability (ROMA) System and provides training on ROMA reporting requirements to all CSBG eligible entities and Native American and Migrant and Seasons Farmworker organizations.
- (15) The Department prepares and submits to the Secretary an annual report on the measured performance of the State and its CSBG eligible entities.
- (16) The Department prohibits the use of Community Services Block Grant funds for the purchase or improvement of land, or the purchase, construction, or permanent improvement (other than low-cost residential weatherization or other energy-related home repairs) of any building or other facility, as described in Section 678F(a) of the Act.
- (17) The Department prohibits and ensures through its monitoring function that programs assisted by Community Services Block Grant funds are not administered in a manner that involves the use of program funds, the provision of services, or the employment or assignment of personnel in a manner supporting or resulting in the identification of such programs with any partisan or nonpartisan political activity or any political activity associated with a candidate, or contending faction or group, in an election for public or party office; any activity to provide voters or prospective voters with transportation to the polls or similar assistance with any such election, or any voter registration activity.
- (18) The Department prohibits and ensures through its monitoring function that no person shall, on the basis of race, color, national origin or sex be excluded from participation in, be denied benefits of, or be subjected to discrimination under any program or activity funded in whole or in part with community services block grant program funds. Further, the Department prohibits in its programs or activities any discrimination on the basis of age under the Age Discrimination Act of 1975 (42 U.S.C. 6101 et seq.) or with respect to an otherwise qualified individual with a disability as provided in Section 504 of the Rehabilitation Act of 1973 (29 U.S.C. 1231 et seq.).
- (19) Section 679. Operational Rule.

(a) Religious Organizations Included as Nongovernmental Providers--

The Department considers for funding on the same basis as other nongovernmental organizations, religious organizations that may provide assistance under the program, so long as the program is implemented in a manner consistent with the Establishment Clause of the first amendment to the Constitution. The Department does not discriminate against an organization that provides assistance, or applies to provide assistance under the Act on the basis that the organization has a religious character.

(b) Religious Character and Independence.

(i) In General. The Department supports that a religious organization which provides assistance under any program described in the Act, shall retain its religious character and control over the definition, development, practice, and expression of its religious beliefs.

(ii) Additional Safeguards. The Department does not require a religious organization---

a. to alter its form of internal governance, except (for purposes of administration of the community services block grant program) as provided in section 676B; or

b. to remove religious art, icons, scripture or other symbols in order to be eligible to provide assistance under a program described in subsection (a).

c. Employment Practices. The Department further ensures that a religious organization's exemption provided under section 702 of the Civil Rights Act of 1964 (42 U.S.C. 2000e-1) regarding employment practices shall not be affected by its participation in, or receipt of funds from, programs described under subsection (a).

(iii) Limitations on Use of Funds for Certain Purposes. The Department ensures that no funds provided directly to a religious organization to provide assistance under any program described in subsection (a) shall be expended for sectarian worship, instruction, or proselytization.

(20) Fiscal Accountability.

- (a) In General. Except as provided in paragraph (2), the Department requires that any religious organization providing assistance under any program described in subsection (a) shall be subject to the same regulations as other nongovernmental organizations to account in accord with generally-accepted accounting principles for the use of such funds provided under such program.
- (b) Limited Audit. The Department requires that such organization shall segregate government funds provided under such program into a separate account. Only the government funds shall be subject to audit by the government.
- (c) Treatment of CSBG eligible entities and Other Intermediate Organizations.
The Department requires eligible entities that enter into an agreement to select non-governmental organizations to provide assistance under the programs described in subsection (a) to require subcontractors to comply with all requirements set forth in the CSBG contract between the Department and the CSBG eligible entity.

J. Other Administrative Certifications

The Department, through its monitoring process:

- (1) Assures that the cost and accounting standards of the Office of Management and Budget (OMB Circulars A-110 and A-122) also apply to recipients of Community Service Block Grant funds.
- (2) Complies with the requirements of Public Law 103-227, Part C Environmental Tobacco Smoke, also known as the Pro-Children Act of 1994, which requires that smoking not be permitted in any indoor facility owned or leased or contracted for by any entity and used routinely or regularly for the provision of health, day care, education, or library services to children under the age of 18 if the services are funded by a Federal grant, contract, loan or loan guarantee. The Department further agrees and requires that the language of this certification is included in any sub-awards, which contain provisions for children's services and that all sub-grantees certify accordingly.

VI. Appendices

Note: Only Appendices J, K, L, and M (required certifications) are included. Other attachments are available upon request.

Appendix J.
Certification Regarding Lobbying

CERTIFICATION REGARDING LOBBYING

Certification for Contracts, Grants, Loans, and Cooperative Agreements

The undersigned certifies, to the best of his or her knowledge and belief, that:

- (1) No Federal appropriated funds have been paid or will be paid, by or on behalf of the undersigned, to any person for influencing or attempting to influence an officer or employee of an agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with the awarding of any Federal contract, the making of any Federal grant, the making of any Federal loan, the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any Federal contract, grant, loan, or cooperative agreement.
- (2) If any funds other than Federal appropriated funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this Federal contract, grant, loan, or cooperative agreement, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions.
- (3) The undersigned shall require that the language of this certification be included in the award documents for all subawards at all tiers (including subcontracts, subgrants, and contracts under grants, loans, and cooperative agreements) and that all subrecipients shall certify and disclose accordingly. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Statement for Loan Guarantees and Loan Insurance

The undersigned states, to the best of his or her knowledge and belief, that:

If any funds have been paid or will be paid to any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress in connection with this commitment providing for the United States to insure or guarantee a loan, the undersigned shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying," in accordance with its instructions. Submission of this statement is a prerequisite for making or entering into this transaction imposed by section 1352, title 31, U.S. Code. Any person who fails to file the required statement shall be subject to a civil penalty of not less than \$10,000 and not more than \$100,000 for each such failure.

Michael G. Gerber
Executive Director
Texas Department of Housing and Community Affairs

Date

Appendix K.

Certification Regarding Drug-Free Workplace

CERTIFICATION REGARDING DRUG-FREE WORKPLACE REQUIREMENTS

This certification is required by the regulations implementing the Drug-Free Workplace Act of 1988: 45 CFR Part 76, Subpart, F. Sections 76.630(c) and (d)(2) and 76.645(a)(1) and (b) provide that a Federal agency may designate a central receipt point for STATE-WIDE AND STATE AGENCY-WIDE certifications, and for notification of criminal drug convictions. For the Department of Health and Human Services, the central point is: Division of Grants Management and Oversight, Office of Management and Acquisition, Department of Health and Human Services, Room 517-D, 200 Independence Avenue, SW Washington, DC 20201.

Certification Regarding Drug-Free Workplace Requirements

1. By signing and/or submitting this application or grant agreement, the grantee is providing the certification set out below.
2. The certification set out below is a material representation of fact upon which reliance is placed when the agency awards the grant. If it is later determined that the grantee knowingly rendered a false certification, or otherwise violates the requirements of the Drug-Free Workplace Act, the agency, in addition to any other remedies available to the Federal Government, may take action authorized under the Drug-Free Workplace Act.

Certification Regarding Drug-Free Workplace Requirements

Alternate I. (Grantees Other Than Individuals)

The grantee certifies that it will or will continue to provide a drug-free workplace by:

- (a) Publishing a statement notifying employees that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the grantee's workplace and specifying the actions that will be taken against employees for violation of such prohibition;
- (b) Establishing an ongoing drug-free awareness program to inform employees about –
 - (1) The dangers of drug abuse in the workplace;
 - (2) The grantee's policy of maintaining a drug-free workplace;
 - (3) Any available drug counseling, rehabilitation, and employee assistance programs; and
 - (4) The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace;

- (c) Making it a requirement that each employee to be engaged in the performance of the grant be given a copy of the statement required by paragraph (a);
- (d) Notifying the employee in the statement required by paragraph (a) that, as a condition of employment under the grant, the employee will --
 - (1) Abide by the terms of the statement; and
 - (2) Notify the employer in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five calendar days after such conviction;
- (e) Notifying the agency in writing, within ten calendar days after receiving notice under paragraph (d)(2) from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant;
- (f) Taking one of the following actions, within 30 calendar days of receiving notice under paragraph (d)(2), with respect to any employee who is so convicted --
 - (1) Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirements of the Rehabilitation Act of 1973, as amended; or
 - (2) Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State, or local health, law enforcement, or other appropriate agency;
- (g) Making a good faith effort to continue to maintain a drug-free workplace through implementation of paragraphs (a), (b), (c), (d), (e) and (f).
- (B) The grantee may insert in the space provided below the site(s) for the performance of work done in connection with the specific grant:

Place of Performance: 507 Sabine, Austin, Texas 78701

Michael G. Gerber
 Executive Director
 Texas Department of Housing and Community Affairs

Date

Appendix L.

Certification Regarding
Debarment, Suspension, and Other Responsibility Matters

**CERTIFICATION REGARDING DEBARMENT, SUSPENSION
AND OTHER RESPONSIBILITY MATTERS**

Certification Regarding Debarment, Suspension, and Other Responsibility Matters--Primary
Covered Transactions

Instructions for Certification

1. By signing and submitting this proposal, the prospective primary participant is providing the certification set out below.
2. The inability of a person to provide the certification required below will not necessarily result in denial of participation in this covered transaction. The prospective participant shall submit an explanation of why it cannot provide the certification set out below. The certification or explanation will be considered in connection with the department or agency's determination whether to enter into this transaction. However, failure of the prospective primary participant to furnish a certification or an explanation shall disqualify such person from participation in this transaction.
3. The certification in this clause is a material representation of fact upon which reliance was placed when the department or agency determined to enter into this transaction. If it is later determined that the prospective primary participant knowingly rendered an erroneous certification, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.
4. The prospective primary participant shall provide immediate written notice to the department or agency to which this proposal is submitted if at any time the prospective primary participant learns that its certification was erroneous when submitted or has become erroneous by reason of changed circumstances.
5. The terms covered transaction, debarred, suspended, ineligible, lower tier covered transaction, participant, person, primary covered transaction, principal, proposal, and voluntarily excluded, as used in this clause, have the meanings set out in the Definitions and Coverage sections of the rules implementing Executive Order 12549. You may contact the department or agency to which this proposal is being submitted for assistance in obtaining a copy of those regulations.
6. The prospective primary participant agrees by submitting this proposal that, should the proposed covered transaction be entered into, it shall not knowingly enter into any lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, declared ineligible, or voluntarily excluded from participation in this covered transaction, unless authorized by the department or agency entering into this transaction.
7. The prospective primary participant further agrees by submitting this proposal that it will include the clause titled ``Certification Regarding Debarment, Suspension, Ineligibility and

Voluntary Exclusion-Lower Tier Covered Transaction," provided by the department or agency entering into this covered transaction, without modification, in all lower tier covered transactions and in all solicitations for lower tier covered transactions.

8. A participant in a covered transaction may rely upon a certification of a prospective participant in a lower tier covered transaction that it is not proposed for debarment under 48 CFR part 9, subpart 9.4, debarred, suspended, ineligible, or voluntarily excluded from the covered transaction, unless it knows that the certification is erroneous. A participant may decide the method and frequency by which it determines the eligibility of its principals. Each participant may, but is not required to, check the List of Parties Excluded from Federal Procurement and Nonprocurement Programs.
9. Nothing contained in the foregoing shall be construed to require establishment of a system of records in order to render in good faith the certification required by this clause. The knowledge and information of a participant is not required to exceed that which is normally possessed by a prudent person in the ordinary course of business dealings.
10. Except for transactions authorized under paragraph 6 of these instructions, if a participant in a covered transaction knowingly enters into a lower tier covered transaction with a person who is proposed for debarment under 48 CFR part 9, subpart 9.4, suspended, debarred, ineligible, or voluntarily excluded from participation in this transaction, in addition to other remedies available to the Federal Government, the department or agency may terminate this transaction for cause or default.
11. The prospective primary participant certifies to the best of its knowledge and belief, that it and its principals:
 - a. Are not presently debarred, suspended, proposed for debarment, declared ineligible, or voluntarily excluded by any Federal department or agency;
 - b. Have not within a three-year period preceding this proposal been convicted of or had a civil judgment rendered against them for commission of fraud or a criminal offense in connection with obtaining, attempting to obtain, or performing a public (Federal, State or local) transaction or contract under a public transaction; violation of Federal or State antitrust statutes or commission of embezzlement, theft, forgery, bribery, falsification or destruction of records, making false statements, or receiving stolen property;
 - c. Are not presently indicted for or otherwise criminally or civilly charged by a governmental entity (Federal, State or local) with commission of any of the offenses enumerated in paragraph (1)(b) of this certification; and
 - d. Have not within a three-year period preceding this application/proposal had one or more public transactions (Federal, State or local) terminated for cause or default.

12. Where the prospective primary participant is unable to certify to any of the statements in this certification, such prospective participant shall attach an explanation to this proposal.

Michael G. Gerber
Executive Director
Texas Department of Housing and Community Affairs

Date

Appendix M.

Certification Regarding
Pro-Children Act of 1994

CERTIFICATION REGARDING ENVIRONMENTAL TOBACCO SMOKE

Public Law 103227, Part C Environmental Tobacco Smoke

Public Law 103227, Part C Environmental Tobacco Smoke, also known as the Pro Children Act of 1994, requires that smoking not be permitted in any portion of any indoor routinely owned or leased or contracted for by an entity and used routinely or regularly for provision of health, day care, education, or library services to children under the age of 18, if the services are funded by Federal programs either directly or through State or local governments, by Federal grant, contract, loan, or loan guarantee. The law does not apply to children's services provided in private residences, facilities funded solely by Medicare or Medicaid funds, and portions of facilities used for inpatient drug or alcohol treatment. Failure to comply with the provisions of the law may result in the imposition of a civil monetary penalty of up to \$1000 per day and/or the imposition of an administrative compliance order on the responsible entity. By signing and submitting this application the applicant/grantee certifies that it will comply with the requirements of the Act.

The applicant/grantee further agrees that it will require the language of this certification be included in any subawards which contain provisions for the children's services and that all subgrantees shall certify accordingly.

Michael G. Gerber
Executive Director
Texas Department of Housing and Community Affairs

Date

PORTFOLIO MANAGEMENT AND COMPLIANCE DIVISION

BOARD ACTION REQUEST

June 14, 2007

Action Item

Presentation, discussion and possible approval of requests for amendments to HOME Investment Partnerships Program (HOME) contracts involving modifications that significantly decrease the benefits to be received by the Department.

Requested Action

Approve or deny the requests for amendments.

Background

The 2006 HOME Rules in the Texas Administrative Code, Title 10, Part 1, Chapter 53, Rule §53.62(b)(3), state that modifications and/or amendments that increase the dollar amount by more than 25% of the original award or \$50,000, whichever is greater, or in the estimation of the Executive Director significantly decrease the benefits to be received by the Department, will be presented to the Board for approval.

Department policy requires that the commitment and expenditure rates of each contract be analyzed when processing extension requests. Extension requests will only be considered by the Department to complete activities that are in process and that have been committed in the TDHCA Contract System. Commitment is defined as contract funds that have been pledged to an eligible household. These funds must be entered electronically into the TDHCA Contract System by the Administrator, and the funds must be approved electronically by the Department in the TDHCA Contract System. Before commitments are entered in the TDHCA Contract System all household and budget information must be verified by the Administrator. Documentation must be submitted to the Department to substantiate the commitment of funds.

Cameron County Contract Number 1000217

Summary of Request

In response to severe flooding in 2004, the Department awarded a HOME Disaster Recovery grant to Cameron County (County) in the amount of \$500,000.00, with a start date of August 1, 2004 and a completion date of July 31, 2006. Cameron County was required to assist forty (40) homeowners in colonia areas, including Green Valley Estates and Olmito Estates.

Toward the end of their contract period, Portfolio Management and Compliance (PMC) staff disapproved several requests for set-ups and draws. Further on-site investigation by PMC staff and Office of Colonia Initiatives (OCI) field staff raised monitoring concerns. The County inappropriately limited repairs to only the flood-affected parts of the nineteen (19) assisted homes – or “up-to windows” rehabilitation. Their HOME contract requires that the entire structure meet Colonia Housing Standards. Both the County and their subcontractor Cameron and Willacy Counties Community Projects, Inc. (CWCCP) committed staff time and funds that have not been reimbursed. All construction work completed to date has been paid for by the County, but the County and the CAA have not been reimbursed by the Department.

In response to PMC staff request, the County created new work write-ups and budgets to reflect the additional work that would be required for each of the nineteen (19) homes to meet Colonia Housing Standards as required. In addition, the County has agreed to commit additional inspection staff time for electrical and construction inspections and to verify that all future construction meets standards.

The County is requesting an amendment to extend the end date of their contract for eighteen (18) months from July 31, 2006 to January 31, 2008 in order to expend the additional funds necessary for each of the nineteen (19) properties to meet Colonia Housing Standards. Revised work orders have been submitted to document the amount of additional funds required to complete construction. The required number of units would also be reduced from forty (40) to nineteen (19).

| | Original Budget | Revised Budget | Deobligated |
|------------------------|------------------------|-----------------------|--------------------|
| Project | \$500,000 | \$287,079 | (\$212,921) |
| Administration | 20,000 | 11,483 | (8,517) |
| Total | \$520,000 | \$298,562 | (\$221,438) |
| Required Units | 40 | 19 | (21) |
| Budget per Unit | \$12,500 | \$15,109 | |

Amendment Number: 1
Activity Type: Owner Occupied Reconstruction (OCC)
Contract Executor: County Judge Gilberto Hinojosa
Contract Contact: Frank Bejarano, Program Administrator
Consultant: Cameron and Willacy Counties Community Projects, Inc.
Contract Start Date: August 1, 2004
Contract End Date: July 31, 2006
Requested End Date: January 31, 2008
Service Area: Cameron County
Households Required: 40
Households Assisted: 19
Amount Drawn: \$2,000 (Administrative Funds Only)

Requested Action

Staff recommends approval of the request. If the amendment is not approved, the homes would not meet required property standards, and the County would not be reimbursed for construction completed to date. If the board chooses to approve the amendment, the contract end date would be extended for eighteen (18) months from July 31, 2006 to January 31, 2008, the number of required units would be reduced from forty (40) to nineteen (19), and the total contract amount would be reduced to \$298,562, resulting in deobligated funds of \$221,438. Approval of this amendment would require the County to provide the Department with a Monthly Contract Progress Report.

MULTIFAMILY FINANCE PRODUCTION DIVISION

BOARD ACTION REQUEST

June 14, 2007

Action Item

Housing Tax Credit Amendments.

Requested Action

Approve, amend or deny the requests for amendments.

Background and Recommendations

§2306.6712, Texas Government Code, indicates that the Board should determine the disposition of a requested amendment if the amendment is a “material alteration,” would materially alter the development in a negative manner or would have adversely affected the selection of the application in the application round. The statute identifies certain changes as material alterations and the requests presented below include material alterations.

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

Limitations on the Approval of Amendment Requests

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

Penalties for Amendment Requests

§49.9(c), 2007 Qualified Allocation Plan and Rules, entitled, “Adherence to Obligations,” states in part:

Effective December 1, 2006, if a Development Owner does not produce the Development as represented in the Application and in any amendments approved by the Department subsequent to the Application, or does not provide the necessary evidence for any points received by the required deadline:

(1) the Development Owner must provide a plan to the Department, for approval and subsequent implementation, that incorporates additional amenities to compensate for the non-conforming components; and

(2) the Board will opt either to terminate the Application and rescind the Commitment Notice, Determination Notice or Carryover Allocation Agreement as applicable or the Department must:

(A) reduce the score for Applications for tax credits that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development by ten points for the two Application Rounds concurrent to, or following, the date that the non-conforming aspect, or lack of financing, was identified by the Department; and

(B) prohibit eligibility to apply for tax credits for a Tax-Exempt Bond Development that are submitted by an Applicant or Affiliate related to the Development Owner of the non-conforming Development for 12 months from the date that the non-conforming aspect, or lack of financing, was identified by the Department.

HTC No. 04036, Villa del Sol

Summary of Request: The owner requests approval to forego the installation of dishwashers and garbage disposals. In 2004, dishwashers and disposals were required to meet Threshold. The owner's letter of request includes a list of features that were installed, including features in excess of Threshold requirements and scoring ceilings. A certification that disposals would be included in the development (Development Certification Form of Tab 3A) was signed by the executive director of the development owner. The disposals were named as included in the Specifications and Amenities form, in the appraisal and were included in the Exhibit 3, Part D, Work Write-Up as a line item cost of \$30,000. The work write-up was also signed by the executive director of the owner. The request included a letter from the development engineer stating the disposals were not installed nor recommended due to the age of the building plumbing and electrical wiring. Dishwashers were not indicated in the application as an amenity and were not addressed by the Department in the presentation to the Board.

- Governing Law:** §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including a significant modification of the site plan and any other modification that is considered significant by the board.
- Owner:** VDS Housing, Ltd.
- General Partner:** Housing Authority of the City of Brownsville
- Developers:** Tekoa Partners, Ltd.; Housing Authority of the City of Brownsville
- Principals/Interested Parties:** William Skeen, William Lee
- Syndicator:** MMA Financial
- Construction Lender:** PNC Bank, N.A.
- Permanent Lender:** PNC Bank, N.A.
- Other Funding:** Housing Authority of the City of Brownsville
- City/County:** Brownsville/Cameron
- Set-Aside:** General, Elderly Population
- Type of Area:** Urban
- Type of Development:** Acquisition/Rehabilitation
- Population Served:** Elderly
- Units:** 190 HTC units and 10 market rate units
- 2004 Allocation:** \$434,382
- Allocation per HTC Unit:** \$2,286
- Prior Board Actions:** 7/28/04 – Approved award of tax credits
1/18/06 – Approved amendment to allow PTAC HVAC units
- Underwriting Reevaluation:** The change would not materially affect the underwriting and no change in the amount of the award is recommended at this time. Confirmation of development amenities and determination of the final credit award will be made upon receipt of the development's Cost Certification.
- Staff Recommendation:** **Staff recommends denying the request. Notwithstanding the engineer's opinion, the dishwashers and garbage disposals were a requirement of threshold. If the Board chooses to approve the request, then the Department recommends that the owner install amenities that were not named in the application as substitutes and that the substitutes be of an equivalent dollar value to the cost of the disposals as stated in the application (\$30,000).**
- Penalty Assessment:** **The penalty assessment under §49.9(c) of the 2007 QAP is applicable to this request because the change was instituted without approval. Ten**

points will be deducted from the scores of any nine percent applications submitted by affiliates of the applicant in the two application rounds that are concurrent with or immediately succeeding (i.e., the 2007-2008 rounds) the date that a nonconforming use was identified by the Department. No four percent applications will be accepted from any affiliate until twelve months after the date that the nonconforming uses were identified by the Department (such date to be determined).

HTC No. 060148, Pineywoods Orange Development (2006 Hurricane Rita Application in Region 5)

Summary of Request: The owner requests a change in site plan, and change in building plans. The development consists of homes sites scattered through a large part of the city of Orange. The new homes would increase in size from 50 to 100 square feet depending on the plan. The owner stated that although all other sites would remain as originally proposed, the fourteen sites in the Reid's Place subdivision would change. The subdivision consists of lots in a cul-de-sac. Instead of using the rear sites in the subdivision and retaining the rest of the subdivision in the development as vacant land, the development would use the front sites and would remove the land that is deeper in the cul-de-sac from the original development proposal. As stated in the owner's request, the change would reduce the land area by approximately 8.44 acres. The owner has stated that he is unable to construct the development as originally proposed. It should be noted that the amendment request letter also requests an additional \$171,466 in housing tax credits. However, credit increases are not eligible amendments and no consideration will be given to that request unless separately and specifically requested by the Board on a future agenda.

Governing Law: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including any modification that is considered significant by the board.

Owner: Pineywoods Old Town Ltd.

General Partner: Pineywoods Home Team Affordable Housing, Inc. (PHTAHI)

Developers: Pineywoods Home Team Affordable Housing, Inc.

Principals/Interested Parties: Doug Dowler, Executive Director of PHTAHI

Syndicator: NEF, Inc.

Construction Lender: HOME Funds (City of Orange)

Permanent Lender: First Housing

Other Funding: NA

City/County: Orange/Orange

Set-Aside: Nonprofit

Type of Area: Rural

Type of Development: New Construction

Population Served: General Population

Units: 49 HTC units and 1 employee unit

2006 Allocation: \$547,817

Allocation per HTC Unit: \$11,180

Prior Board Actions: 7/06 – Approved award of tax credits
11/06 – Approved amendment of the land area

Underwriting Reevaluation: The changes would not change the credit recommendation.

Staff Recommendation: **Staff recommends approving the request to change the site and building plans as stated above. The changes would not significantly impact the development in a negative manner and would not have adversely affected the selection of the application. The recommendation does not include the request for an increase in the tax credit amount.**

Penalty Assessment: **No penalty assessment is recommended because the amendment is requested in advance of the changes being instituted.**

HTC No. 060149, Women’s Shelter of East Texas

Summary of Request: The owner requests a change in the site plan, change in building plans, elimination of the swimming pool, and substitution of a sand volleyball court for a basketball court (sport court was indicated in the application). The development consists of detached single family homes and an office and clubhouse, all on one site. The new site plan utilizes approximately the same portion of the site as the original but the house lots are located on an L-shaped road and a cul-de-sac instead of along the curve of a single road as originally proposed. The only significant difference between the old and new building plans is that thirteen of the new homes are significantly larger than originally planned. The differences in size are shown in the tables below. The owner has stated that he is unable to construct the development as originally proposed. It should be noted that the amendment request letter also requests an additional \$108,046 in housing tax credits. However, credit increases are not eligible amendments and no consideration will be given to that request unless separately and specifically requested by the Board on a future agenda.

| At Application | | | | | As Proposed | | | | |
|----------------|-------|------|-------|--------|-------------|-------|------|-------|--------|
| Target | Units | Type | Size | NRA | Target | Units | Type | Size | NRA |
| 60% | 13 | 3/2 | 1,290 | 16,770 | 60% | 13 | 3/2 | 1,436 | 18,668 |
| 60% | 12 | 3/2 | 1,370 | 16,440 | 60% | 12 | 3/2 | 1,363 | 16,356 |
| MR | 1 | 3/2 | 1,370 | 1,370 | MR | 1 | 3/2 | 1,363 | 1,363 |
| 34,580 | | | | | 36,387 | | | | |

Governing Law: §2306.6712, Texas Government Code. The code states that the Board must approve material alterations of a development, including any modification that is considered significant by the board.

Owner: Pineywoods Lufkin Home Team Ltd.

Special Limited Partner: Pineywoods CDFI

Developers: Pineywoods HOME Team Affordable Housing, Inc. (co-developer); Pineywoods CDFI (co-developer)

Syndicator: NEF, Inc.

Construction Lender: Pineywoods Housing Finance Corporation

Permanent Lender: Lancaster Pollard

City/County: Lufkin/Angelina

Set-Aside: Nonprofit

Type of Area: Rural

Type of Development: New Construction

Population Served: General Population

Units: 26 HTC units

2006 Allocation: \$351,954

Allocation per HTC Unit: \$13,537

Prior Board Actions: 5/06 – Approved amendment to number of units for the development to qualify as a Hurricane Rita Application.
6/06 – Approved award of tax credits as a Hurricane Rita Application.
12/06 – Approved ownership transfer

Underwriting Reevaluation:

Staff Recommendation: **Staff recommends approving the request to change the site and building plans as stated above. The changes would not significantly impact the development in a negative manner and would not have adversely affected the selection of the application. The recommendation does not include the request for an increase in the tax credit amount.**

Penalty Assessment: **No penalty assessment is recommended because the amendment is requested in advance of the changes being instituted.**



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, Multifamily Finance Production
From: Raquel Morales, Real Estate Analysis
cc: File
Date: May 23, 2007
Re: Amendment Request for Villa del Sol, TDHCA #04036

I have reviewed the Partnership's request for approval to amend the original tax credit application with respect to garbage disposals. According to the information provided by the Partnership's counsel, installation of garbage disposals in all units would create an insurmountable burden on the property's electrical and plumbing systems. A letter from the development engineer, TC-MEP, Inc., dated April 2, 2007, further confirms this concern by stating that due to the age of the building's plumbing infrastructure additional waste produced by a disposal may not be supported by the installation of garbage disposals. It should be noted that Section 50.9(f)(B)(iii) of the 2004 Qualified Allocation Plan required that all units contain both dishwashers and disposals as a threshold amenity. The Partnership's amendment request did not mention the dishwashers specifically in the documentation submitted. REA staff would normally be able to confirm the presence of all development amenities by review of the development's final Cost Certification documentation, specifically, Exhibit 5A of the Cost Certification Procedures Manual. However, the Department has not received the required Cost Certification documentation. It should be noted, however, that staff has confirmed dishwashers and garbage disposals were not identified in any of the units during the development's final construction inspection.

Based on the changes noted by the Partnership, it does not appear at this time that a change to the recommended credit amount is warranted. It should be noted that confirmation of the amenities committed at application and the final credit recommendation will be determined upon receipt and review of the final Cost Certification for this development.

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
Suite 300
Austin, Texas 78701-4042

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

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www.lockeliddell.com

Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

April 9, 2007

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

RECEIVED
APR 30 REC'D
LHPL

Re: **Amendment Request**
Villa del Sol Apartments in Brownsville, Texas
TDHCA No. 04036

Dear Ben:

We represent VDS Housing, Ltd. (the "**Partnership**"), the owner of the Villa del Sol Apartments in Brownsville, Texas (the "**Property**"). The Partnership received low-income housing tax credits ("**Tax Credits**") for the rehabilitation of the Property, which was constructed in 1971 as a high-rise public housing project operated by the Brownsville Housing Authority. At the time renovation started, the Property was unsuitable for occupancy by senior citizens in many ways, including the absence of air conditioning. The rehabilitation results in an attractive and vibrant residence, as shown on the pictures enclosed.

Amendment Request

The purpose of this letter is to request approval of an amendment to the Partnership's Tax Credit application to omit the installation of garbage disposals in the units.

Detailed Description

Section 50.9(f)(B)(iii) of the 2004 Qualified Allocation Plan (the "**QAP**") required the installation of garbage disposals in all units as a threshold item. The Partnership has learned that the installation of garbage disposals would create an insurmountable burden on the Property's electrical and plumbing systems. For a description of the problem, please see the enclosed letter from the Partnership's mechanical engineer, TC-MEP Inc.

Despite the absence of garbage disposals, the Property is an amenity-rich facility for its residents. In Section 50.9(g)(7)(D)(iii) of the 2004 QAP, the Partnership was required to qualify for 24 points worth of amenities. The Partnership actually qualified for 48 points worth of amenities – twice the amount required. These on-site amenities include:

- Full perimeter fencing with controlled gate access
- Gazebo with sitting area
- Accessible walking path
- Public telephones available 24 hours per day
- Service coordinator office, in addition to leasing offices
- Covered pavilion with barbecue grills and tables
- Furnished fitness center
- Community room
- Library separate from community room
- Covered sun porch
- Senior activity room
- Secured entry
- Shuffleboard court
- Community dining room

The Partnership is not requesting the omission of the garbage disposals to reduce costs or otherwise avoid QAP requirements. Rather, the Partnership is working with a 36 year-old, high-rise building that does not have the infrastructure necessary for installation of garbage disposals.

Adherence to Obligations

Section 49.9(c) of the 2007 QAP, which addresses changes in applications, applies to this request for the omission of garbage disposals from the residential units. If TDHCA approves this request for the omission of garbage disposals, no penalty should be imposed. Even if TDHCA does not approve the request, the Partnership has shown the presence of additional tenant amenities to compensate for the loss of the garbage disposals. This accommodation should satisfy the requirements of Section 49.9(c). If TDHCA disagrees with this analysis and believes a penalty should be assessed to this request, we respectfully request that the penalties be waived because of the unique circumstances associated with the kind of building that was being renovated in this instance.

Mr. Ben Sheppard

April 9, 2007

Page 3

Conclusion

Please provide approval for the omission of garbage disposals from the residential units at Villa del Sol; approval should be communicated to the Compliance Division for inspection purposes. A check in the amount of \$2,500, payable to TDHCA, is enclosed to process this amendment. We understand an amendment of this nature may require Board approval. If so, please include this amendment request for consideration at the next available TDHCA Board meeting. If you need additional information to process this request, please let me know.

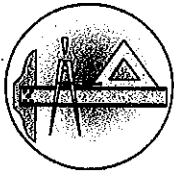
Sincerely,



Cynthia L. Bast

Enclosure

cc: Remberto Arteaga
Bill Lee and Bill Skeen
(w/o enc.)



TC-MEP INC.

M. E. P. DESIGN, DRAFTING & CONSULTING

**118 WALCOURT LOOP,
COLLEGE STATION, TEXAS, 77845**

PH: 713.689.4432

Email: billy.rains@tcmeppinc.com

April 2, 2007

To: Tekoa Partners
Attn: Mr. Adam Nyer
Re: Villa del Sol, Unit garbage disposals

Adam, per our conversation, I have reviewed the current project documents, the original project documents, construction administration pictures of the construction process, and believe the following.

1. Due to the age of the of the building plumbing infrastructure and the simple fact that disposals were never installed, I do not think it would be a good idea to attempt to add them now. The system may or may not be able to handle the additional waste produced by a disposal, but due to the fact that they were never installed originally, why subject the system to additional stress.
2. Electrical wiring and circuiting would have to be added, creating additional load to be considered for the unit panels and the overall building load. Without an actual loading analysis it would be difficult to ascertain the total load added to the overall building electrical service.

It is my recommendation that disposals not be installed in the units at the Villa del Sol project based on these two comments and also considering the fact that disposals did not previously exist and therefore no tenant is aggrieved or discriminated against by not having a disposal.

Respectfully, Billy F Rains, President
John F. Rains, P.E., V.P. Eng.
TC-MEP Inc.

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
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Austin, Texas 78701-4042

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Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

May 24, 2007

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

Re: **Amendment Request**
Villa del Sol Apartments in Brownsville, Texas
TDHCA No. 04036

Dear Robbye:

We represent VDS Housing, Ltd. (the "**Partnership**"), the owner of the Villa del Sol Apartments in Brownsville, Texas (the "**Property**"). The Partnership received low-income housing tax credits ("**Tax Credits**") for the rehabilitation of the Property, which was constructed in 1971 as a high-rise public housing project operated by the Brownsville Housing Authority. In April, our firm submitted, on behalf of the Partnership, an amendment request for the omission of garbage disposals from the residential units. This request was submitted due to the fact that TDHCA's construction inspector had performed an on-site inspection and alerted the Partnership that garbage disposals were a required item under the 2004 Qualified Allocation Plan (the "**QAP**"). At that time, the construction inspector did not mention the absence of dishwashers in the residential units.

Yesterday, you advised that the omission of dishwashers should be added to the amendment request. Thus, this letter is intended to supplement the letter that was previously submitted on the Partnership's behalf.

Amendment Request

The Partnership requests approval of an amendment to the Partnership's Tax Credit application to omit the installation of dishwashers in the units.

Detailed Description

Section 50.9(f)(B)(iii) of the QAP required the installation of dishwashers in all units as a threshold item. In that regard, please note the following:

- The kitchens of Villa del Sol, as originally constructed in 1971, were not large enough to accommodate dishwashers, given the space configuration and the cabinetry.
- The planned rehabilitation of Villa del Sol was not a gut rehab, moving walls and starting from scratch. A gut rehab might have made room for dishwashers to be installed; the rehabilitation proposed in the tax credit application did not.
- The planned rehabilitation of Villa del Sol did not include renovation of all of the kitchens on the property. Some of the kitchens had been renovated already, so the proposed rehabilitation was intended solely to renovate those kitchens that had not been upgraded, bringing them up to the standards of those kitchens that had been renovated.
- The fact that only a portion of the kitchens would be rehabilitated was disclosed in the Physical Needs Assessment Report (the "PNA"), prepared in accordance with TDHCA standards and submitted with the tax credit application. (See attached Exhibit A). The pictures of the kitchens in the PNA clearly show that the kitchens did not have the space for a dishwasher and that the kitchens that had been renovated already did not include dishwashers.
- The tax credit application contained multiple references to the fact that dishwashers would not be installed in the kitchens:
 - In Exhibit 3, Part A, the Partnership did not check the box for "Dishwasher". (See attached Exhibit B.)
 - In Exhibit 3, Part D, the budgetary line item for Dishwashers was marked "N/A". (See attached Exhibit C.)
 - The PNA specifically said "No garbage disposals or dishwashers are provided." (See attached Exhibit A.)
- In reviewing the tax credit application, TDHCA failed to note that Exhibit 3, Part A; Exhibit 3, Part D; and the PNA were all inconsistent with the Partnership's representation in Tab 3A that dishwashers would be provided as a threshold item. TDHCA did not provide the Partnership with an administrative deficiency with regard to this omission of dishwashers during the application review process.

In short, the Partnership thought that the tax credit application was clear in its indication that dishwashers would not be installed in the Villa del Sol renovation. And it believed TDHCA's award of the credits was an acknowledgement of its approval of the proposed renovation plan. In hindsight, the Partnership acknowledges that the tax credit application may have been inconsistent as to the intent to include dishwashers. Thus, it is submitting to the current TDHCA amendment process to resolve the issue.

Ms. Robbye Meyer
May 24, 2007
Page 3

The elderly tenants of this public housing facility have never had dishwashers during their residence in Villa del Sol and typically do not generate enough dirty dishes to want or need them. They are very pleased with the renovation of the property and the improvement in their quality of life it has generated.

Adherence to Obligations

Section 49.9(c) of the 2007 QAP, which addresses changes in applications, applies to this request for the omission of dishwashers from the residential units. If TDHCA approves this request for the omission of dishwashers, no penalty should be imposed. Even if TDHCA does not approve the request, the Partnership has shown the presence of additional tenant amenities to compensate for the loss of the dishwashers.¹ This accommodation should satisfy the requirements of Section 49.9(c). If TDHCA disagrees with this analysis and believes a penalty should be assessed to this request, we respectfully request that the penalties be waived because of the unique circumstances associated with the kind of building that was being renovated in this instance.

Conclusion

Please provide approval for the omission of dishwashers from the residential units at Villa del Sol; approval should be communicated to the Compliance Division for inspection purposes. A check in the amount of \$2,500, payable to TDHCA, has been provided previously to process this amendment. We understand an amendment of this nature may require Board approval. If so, please include this amendment request for consideration at the next available TDHCA Board meeting. If you need additional information to process this request, please let me know.

Sincerely,



Cynthia L. Bast

Enclosure

cc: Remberto Arteaga
Bill Lee and Bill Skeen
(w/o enc.)

¹ See our April 9, 2007 letter with regard to the omission of garbage disposals for a full list of additional amenities.

MARX | OKUBO

File Copy

Project VDS

Tab 3rd Party Reports - Physical
Needs
assessment

**FANNIE MAE DUS
PHYSICAL NEEDS ASSESSMENT REPORT**

VILLA DEL SOL

700 East Saint Charles Road
Brownsville, Texas

Prepared for:

VDS HOUSING, LTD.
2606 Boca Chica
Brownsville, TX 78520
Attn: Mr. Remberto Arteaga

and

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
P.O. Box 13941
Austin, TX 78711-3941

Marx/Okubo Job No. 04-1017

February 27, 2004

Exhibit A

COSTA MESA DENVER HOUSTON SAN FRANCISCO SEATTLE

II. SCOPE OF WORK

Marx/Okubo Associates, Ltd., completed a Fannie Mae Physical Needs Assessment survey of the Villa Del Sol Senior Housing located in Brownsville, Texas, for VDS Housing, Ltd., on February 23 and 24, 2004. The on-site manager provided access to 20 units (approximately 10%) and all of the common areas. The units viewed were selected by property management, as a sampling of the various apartment types and consisted of occupied and unoccupied, top, bottom and middle, as well as end and in-board units.

Deficiencies noted during our site visit, including items of deferred maintenance, are presented in this report along with their associated repair costs. These costs have been scheduled out over the next 12 years. Items noted for *Immediate* correction (typically during Year 1) generally fall into one or more of the following categories: items which pose a danger to the public's safety, violations of code, and/or items which, if left uncorrected, will likely result in damage to the property or its contents, as well as deferred maintenance items now due. *Long Term* items include those that are not life threatening but, if left uncorrected may produce premature deterioration of the buildings or the site during the life of the loan, as well as anticipated capital improvements and replacements.

These repairs/replacements have been scheduled relative to their anticipated life as determined by Marx/Okubo at the time of the site visit. It should be noted, however, that this schedule is a projection only, based on Marx/Okubo's limited observations, and that the correction of deficiencies is solely the responsibility of the building Owner and/or Management. Our observations and this report are not intended to guarantee or warrant the performance of the buildings, or any of their components or systems.

Marx/Okubo Associates, Ltd., does not perform work related to asbestos, hazardous materials and/or insect infestation and can assume no liability regarding the work of other independent consultants which may have been retained by the Client for this type of work.

IX. INTERIOR IMPROVEMENTS

A. FLOOR COVERINGS

Type: The apartment units have 12"x12" VCT flooring in all but the bathrooms, where 1"x1" ceramic tile is used. A combination of VCT with accents of ceramic tile is utilized in the common areas of the main floor. The common area lobbies have VCT flooring, and sheet vinyl was noted in the elevators. The service areas are generally unfinished concrete.

Condition: VCT is in generally good condition with only a few areas noted with failed adhesive. Approximately one-half of the units have had flooring replaced within the last six years as part of a comprehensive remodeling effort. No issues were noted with the ceramic tile surfaces.

B. WALLS AND CEILINGS

Description: Interior wall surfaces along exterior walls are painted concrete block. Interior partitions are painted drywall on metal studs.

Ceilings in the original units are painted concrete. Remodeled units have had painted texture added to the underside of the floor deck above. Ground-level common areas have 2'x2' acoustic ceiling tiles set in a suspended grid.

Condition: Wall and ceiling paint finishes are in fair to good condition, and generally the apartments are re-painted when necessary at the time of tenant turnover. Stains on drywall soffits in bath areas are indications of the plumbing leaks currently being addressed.

C. DOORS, FRAMES AND TRIM

Type: The interior doors include stained, hollow-core set in painted wood frames.

Condition: The doors reviewed were generally found in good condition.

VILLA DEL SOL
Brownsville, Texas

D. ACOUSTICAL INSULATION

Description: Wall, floor and ceiling insulation was not observable.

Condition: Not applicable.

E. KITCHENS

Description: The surfaces of the original kitchen countertops are plastic laminate, and the cabinets are particleboard with laminate face. New kitchens have plastic laminate countertops with birch-faced plywood boxes. Kitchens have Brown brand, four-burner electric stoves and a combination of Whirlpool, Hotpoint and GE refrigerators. No garbage disposals or dishwashers are provided.

Condition: Approximately 50% of the appliances are original and, while still functional, are at or nearing the end of their projected useful life. We have included costs for phased replacements of kitchen appliances.

F. BATHROOMS

Description: Original bathrooms are similar to the kitchen, with plastic laminate countertops and particleboard cabinets with laminate face. The bathrooms have curbless shower units, with ceramic tile surrounds and shower curtains. Typical plumbing fixtures consist of porcelain-finished sinks set in vanities, and tank-type, floor-mounted, vitreous china water closets. Remodeled bathrooms have ceramic tile shower curbs, new vitreous china toilets, and a cultured marble sink with integral countertop.

Condition: Property management reports that the original shower units leak through plumbing openings when residents block the floor drain. The project is midway through a program of replacing countertops and fixtures. Costs are projected for continued replacement of these items.

We noted moisture-related problems in the bathroom ceilings at a number of the units. These problems did not appear severe; however, the problem can only be corrected with replacement of the shower lining and surfacing.

**VILLA DEL SOL
Brownsville, Texas**

G. WINDOW COVERINGS

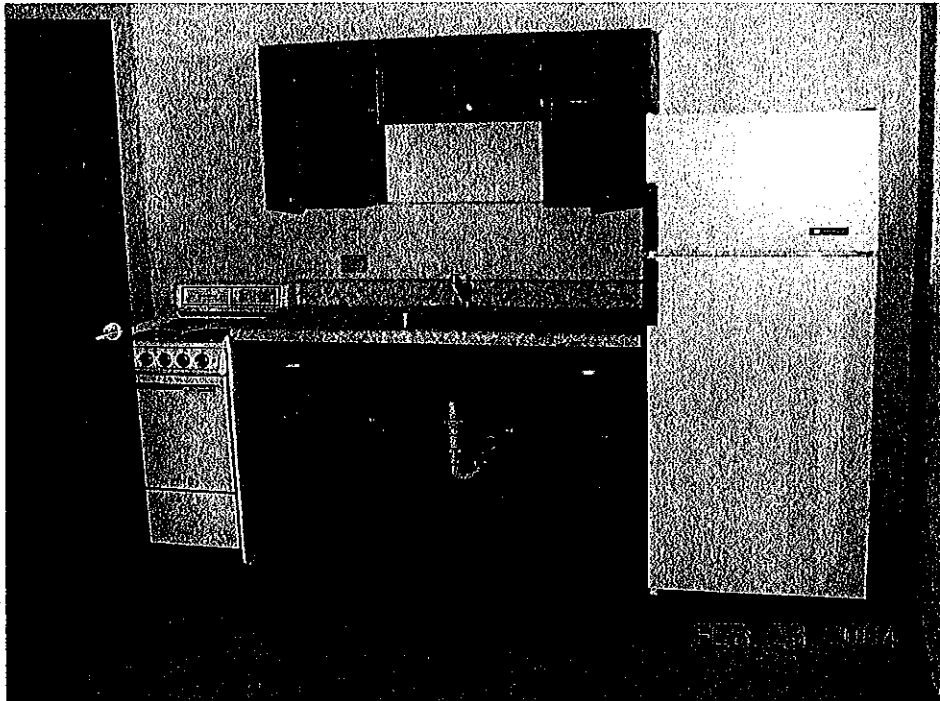
Windows: Unit windows are provided with horizontal mini-blinds.

Condition: No deficiencies were noted.

H. OVERALL QUALITY

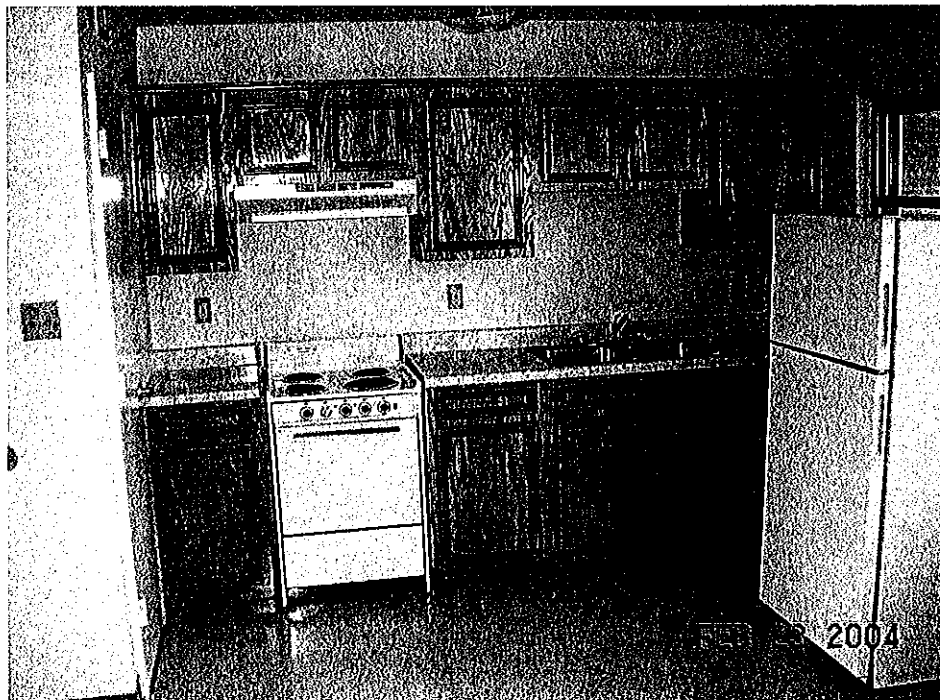
All Units: Apartment units are typical quality for their age and the local rental market.

VILLA DEL SOL
Brownsville, Texas



Photograph #47

Typical original
kitchen layout.



Photograph #48

Typical remodeled
kitchen with updated
sinks and birch-faced
cabinets.

EXHIBIT 3. ACTIVITY OVERVIEW

PART A. SPECIFICATIONS AND AMENITIES

SECTION 4. INTERIOR FEATURES & SPECIFICATIONS (Mark all features which are provided to the tenant at no additional cost.)

Floors: ^{NA} Carpeting Vinyl Flooring Hardwood Floors Other Flooring Describe _____

Kitchen: Range and Oven Hood & Fan Garbage Disposal Dishwasher
 Refrigerator Microwave Tile Counter Tops Laminated Counter Tops

Bath: Tile Tub/Shower Fiberglass Tub/Shower Tile Counter Tops Laminated Counter Tops

Laundry: Washer & Dryer Wash/Dry Connections Cable Ceiling Fans

Other: High Speed Internet Access Fireplaces # in development: _____ Individual Water Heaters

SECTION 5. ON-SITE AMENITIES

Identify all applicable facilities that will be included in the development. Enter "C" if the tenant must pay an extra fee for the amenity and "F" if the amenity is free of charge to the tenant.

| | | | |
|--|--|---|---|
| <input checked="" type="checkbox"/> Common Dining | <input checked="" type="checkbox"/> Game/Recreation Room | <input type="checkbox"/> Daycare Facility | <input checked="" type="checkbox"/> Furnished Community Room |
| <input type="checkbox"/> Commercial Kitchen | <input checked="" type="checkbox"/> Residential Kitchen | <input checked="" type="checkbox"/> Laundry Room | <input checked="" type="checkbox"/> Senior Center |
| <input type="checkbox"/> Pool #: _____ | <input type="checkbox"/> Monitored Unit Security | <input type="checkbox"/> Tennis Court | <input checked="" type="checkbox"/> Picnic Area |
| <input type="checkbox"/> Play Area | <input type="checkbox"/> Playground Equipment | <input type="checkbox"/> Basketball Court | <input type="checkbox"/> Volleyball Court |
| <input checked="" type="checkbox"/> Perimeter Fencing | <input checked="" type="checkbox"/> Limited Access Gate | <input type="checkbox"/> Jacuzzi #: _____ | <input checked="" type="checkbox"/> Computer Room/Facilities |
| <input checked="" type="checkbox"/> Public Rest Rooms | <input checked="" type="checkbox"/> Public Telephone | <input checked="" type="checkbox"/> Exercise Room | <input checked="" type="checkbox"/> Community Garden/Walk Trail |
| <input type="checkbox"/> Car Wash Area | <input type="checkbox"/> Carports # of spaces: _____ | <input checked="" type="checkbox"/> Uncovered Parking # of spaces: 20 | |
| <input checked="" type="checkbox"/> Other: outdoor: shuffleboard picnic area with BBQ grills, gazebo _____ | <input checked="" type="checkbox"/> Other: interior: library, service coordinator office/counseling room _____ | <input type="checkbox"/> Garages # of spaces: _____ | |

EXHIBIT C

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

EXHIBIT C ACTIVITY OVERVIEW

Part D. Work Write-Up for Rehabilitation Developments (Only available in Excel Format)

X The Development Owner's architect or contractor should complete this form which helps the Department ensure that the redevelopment costs are realistic. The activity descriptions provided below should be detailed enough so that a staff member may clearly identify the proposed work and may evaluate the cost against current market standards. Each item should include the cost of labor and material plus any charges for equipment, overhead and profit from a subcontractor or material supplier.

 Attach all building by building itemizations that led to the summary totals below.

Example: Name of Development: Villa Del Sol

Roofing 0 Squares 0 0 \$0

| Item | Brief Description of Activity Performed or Material Installed | Material | | Labor | Total Cost |
|------|---|----------|---|-----------|------------|
| | | Quantity | Type of Measure (squares, linear ft., sq. ft, lbs., etc.) | Unit Cost | |

OFF-SITES

| | | | | | |
|--------------------------------|--|--|--|--|------------|
| Off-site concrete | | | | | \$0 |
| Storm drains & devices | | | | | \$0 |
| Water & fire hydrants | | | | | \$0 |
| Off-site utilities | | | | | \$0 |
| Sewer lateral(s) | | | | | \$0 |
| Off-site paving | | | | | \$0 |
| Off-site electrical | | | | | \$0 |
| Other: (specify) | | | | | \$0 |
| Subtotal Off-Sites Cost | | | | | \$0 |

SITE WORK

| | | | | | |
|-------------------------------------|--|--|--|--|----------|
| Demolition | | | | | \$0 |
| Rough grading | | | | | \$0 |
| Fine grading | | | | | \$0 |
| Storm drain & detention ponds | | | | | \$0 |
| On-site concrete | Repair concrete curb | | | | \$1,500 |
| On-site electrical | Repair lighting and add Parking Lot Lighting | | | | \$5,600 |
| On-site paving | Remove existing asphalt, stabilize base and overlay | | | | \$8,700 |
| On-site utilities | Repair Water Line at Meter | | | | \$2,500 |
| Decorative masonry | Repair brick | | | | \$3,500 |
| Bumper stops, striping & signs | Stripe resurfaced parking lot | | | | \$1,000 |
| Landscaping | Repair irrigation system and install Landscape Materials | | | | \$7,500 |
| Pool and decking | | | | | \$0 |
| Recreational facilities/playgrounds | Construct Exercise Facilities Bldg., Install Community Gardens, Install BBQ, Additional Sidwalks, Shuffleboard | | | | \$75,000 |

Fencing

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS - UNIFORM APPLICATION (MULTIFAMILY HOUSING DEVELOPMENT)

2001 LIHTC APPLICATION SUBMISSION PROCEDURES MANUAL - APPLICATION EXHIBITS PROVIDED BY THE DEPARTMENT

| Item | Brief Description of Activity Performed or Material Installed | Quantity | Type of Measure (squares, linear ft., sq. ft, lbs., etc.) | Unit Cost | Labor (Included in Unit Cost) | Total Cost |
|---|---|----------|---|-----------|-------------------------------|--------------------|
| Windows and Window Covering | Install slat blinds interior | 200 | | 300 | | \$60,000 |
| Solar Screens | Provide heavy duty hinged screens on rear windows | 200 | | 200 | | \$40,000 |
| Glazing (Mirrors, window walls and special) | glazing not incl. in Windows. | | | 300 | | \$0 |
| Lath & plaster | | | | | | \$0 |
| Drywall | | | | | | \$0 |
| Tile work | | | | | | \$0 |
| Acoustical | | | | | | \$0 |
| Resilient or other flooring | VCT Flooring Replacement | 100 | | 800 | | \$80,000 |
| Carpeting | | | | | | \$0 |
| Painting & decorating | Repaint 100 units, touchup paint, and sheetrock repairs | 200 | | 275 | | \$55,000 |
| Specialties | Install furniture closet | 200 | | 275 | | \$55,000 |
| Cabinets | Install kitchen cabinets and sinks | 100 | | 1500 | | \$150,000 |
| Equipment for modification for persons w/ disabilities | | | | | | \$0 |
| Appliances | | | | | | \$0 |
| Range | Replace with range/microwave combination | 200 | | 500 | | \$100,000 |
| Oven | See range | | | | | \$0 |
| Refrigerator | Replace with icemaker refrigerator | 200 | | 500 | | \$100,000 |
| Microwave | see range | | | | | \$0 |
| Dishwasher | N/A | | | | | \$0 |
| Disposal | install disposals, plumbing, and electrical | 200 | | 150 | | \$30,000 |
| Other (describe) | | | | | | \$0 |
| Washer | | | | | | \$0 |
| Fan/Hood | | | | | | \$0 |
| Dryer | | | | | | \$0 |
| Special Equipment (describe) | Fire alarm, fire control, sprinkler system | 1 | | 262500 | | \$262,500 |
| Fireplaces | | | | | | \$0 |
| Carports or garages | | | | | | \$0 |
| Accessory buildings | Remodel Office/Community Room/Kitchen | 1 | | 75000 | | \$75,000 |
| Elevator | | | | | | \$0 |
| Lead-Based Paint Abatement | | | | | | \$0 |
| Asbestos Abatement | | | | | | \$0 |
| Other: (specify) | Add 50 fully handicap accessible units | 50 | | 950 | | \$47,500 |
| Miscellaneous (not to exceed \$1000) | | | | | | \$0 |
| Subtotal Direct Construction | | | | | | \$2,500,000 |
| Total Construction Cost (Number should tie with "Construction Hard Costs" amount shown in "Cost Breakdown.") | | | | | | \$2,650,000 |

Robert D. Miller
 Development Owner Name
 103-01-04

TBD
 Architect/Contractor Name



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, Multifamily Finance Production
From: Tom Gouris, Real Estate Analysis
cc: File
Date: May 29, 2007
Re: Amendment Request for Pineywoods Orange Development, #060148

The Real Estate Analysis division has been in the process of reviewing the request and the applicant's contention that construction costs have risen by 70% from last year's application. The applicant's total development costs have increased by 66% such that the average cost of each completed 1,406 square foot home totals \$192,554 with construction costs of \$138,216 per home or \$98 per foot. The average square footage of the homes has increased 6% from the 1,330 square feet per unit included in the original application.

While the anticipated rents and income have not changed the applicant expenses have unexplainably decreased by 38% from \$5,409 per unit to \$3,351 per unit with significant decreases in all line items except insurance and taxes. The revised expense proforma appears to suggest that the tenant will be responsible for water sewer and trash expenses but a corresponding reduction in rent was not considered. Supportive services are another area that appears to have been reduced. With the dramatic reduction in the applicant's estimated expenses, a significant increase in net operating income is projected by the applicant. This increase in NOI is utilized by the applicant to justify a 184% increase in debt. Whereas the original proposed debt was \$740,000 the revised request considers \$2,104,575 in permanent debt though the commitment provided reflects a slightly less \$2,025,000.

The issues above provide considerable concern with regard to the applicant's ability to accurately plan for a development however the main emphasis of the revised request is the additional credit allocation which is simply not available in that region. In order to expedite the reconstruction/redevelopment of the impacted areas of region 5 all of the 2007 allocation of tax credits was forward committed in 2006. The feasibility of the revised transaction hinges upon the requested increase in credits totaling \$171,466 representing additional syndication proceeds of roughly \$1.5M. Without the additional tax credit and assuming the applicant's increase costs are correct, the transaction is not feasible because 1) insufficient developer fees exist to defer and 2) insufficient cash flow would be available to repay any such deferral or

other source of financing. Moreover, the Underwriter's initial re-evaluation of the subject and research included in the Executive Director's Report Item presented at the May 10, 2007 TDHCA Board meeting do not corroborate the 70% cost increase indicated in the applicant's revised application.

Thus the Underwriter believes this transaction has a very high risk and low probability for success and recommends that the credits be returned or deobligated in order to be expedited for use with more feasible developments in 2007 application cycle for the region.



Pineywoods Old Town, Ltd.

April 27, 2007

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

RECEIVED

APR 30 REC'D

LIHTC

Re: Request for Amendment – Pineywoods Orange Development TDHCA # 060148 /

Dear Mr. Sheppard,

Pineywoods Old Town Ltd. respectfully requests the following contract amendments to TDHCA #060148:

1. The site plan of the project has changed to a more economical configuration with the site remaining the same. A new design has reduced the needed acreage by 8.44 acres in the "Reid's Place" subdivision. This is the same site only using less land. The other 32 sites remain the same.
2. The floor plans of the houses have been modified to conform to the ADA, other accessibility requirements and city of Orange building codes. The floor plans have increased approximately 50 to 100 sq. ft. according to which plan.
3. Due to increased construction costs we are now asking for an additional \$171,466 in Credits.

We have included the necessary documentation to support the above contract amendments.

Thank you in advance for your time and consideration.

Respectfully,

Douglas R. Dowler,
Pineywoods Old Town Ltd.



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Ben Sheppard, Multifamily Finance Production
From: Tom Gouris, Real Estate Analysis
cc: File
Date: May 29, 2007
Re: Amendment Request for Women's Shelter of East Texas, #060149

The Real Estate Analysis division has been in the process of reviewing the request and the applicant's contention that construction costs have risen by 65% from last year's application. The applicant's total development costs have increased by 29% such that the average cost of each completed 1,399 square foot home totals \$230,471 with construction costs of \$160,192 per home or \$114.50 per foot. The average square footage of the homes has increased 5% from the 1,330 square feet per unit included in the original application.

While the anticipated rents and income have not changed the applicant expenses have unexplainably decreased by 29% from \$4,511 per unit to \$3,188 per unit with significant decreases in all line items except insurance. The revised expense proforma appears to suggest that the tenant will be responsible for water sewer and trash expenses but a corresponding reduction in rent was not considered. Supportive services are another area that appears to have been reduced as are taxes (the development now appears to be considered property tax exempt though no additional documentation was provide to support this item.) With the dramatic reduction in the applicant's estimated expenses, a significant increase in net operating income is projected by the applicant. This increase in NOI is utilized by the applicant to justify a 42% increase in debt. Whereas the original proposed debt was \$864,000 the revised request considers \$1,231,770 in permanent debt.

The issues above provide considerable concern with regard to the applicant's ability to accurately plan for a development however the main emphasis of the revised request is the additional credit allocation which is simply not available in that region. In order to expedite the reconstruction/redevelopment of the impacted areas of region 5 all of the 2007 allocation of tax credits was forward committed in 2006. The feasibility of the revised transaction hinges upon the requested increase in credits totaling \$108,046 representing additional syndication proceeds of roughly \$1.0M. Without the additional tax credit and assuming the applicant's increase costs are correct, the transaction is not feasible because 1) insufficient developer fees

exist to defer and 2) insufficient cash flow would be available to repay any such deferral or other source of financing. Moreover, the Underwriter's initial re-evaluation of the subject and research included in the Executive Director's Report Item presented at the May 10, 2007 TDHCA Board meeting do not corroborate the 65% cost increase indicated in the applicant's revised application.

Thus the Underwriter believes this transaction has a very high risk and low probability for success and recommends that the credits be returned or deobligated in order to be expedited for use with more feasible developments in 2007 application cycle for the region.



Pineywoods Lufkin HOME Team, Ltd.

April 27, 2007

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

RECEIVED

APR 30 REC'D

LIHINTC

Re: Request for Amendment - The Women's Shelter of East Texas TDHCA # 060149

Dear Mr. Sheppard,

Pineywoods Lufkin Home Team Ltd. respectfully requests the following contract amendments to TDHCA #060149:

1. The site plan of the project has changed to a more economical configuration with the site remaining the same.
2. In an effort to save costs we request the swimming pool amenity be deleted. The basketball court has be changed to a sand volleyball court
3. The floor plans of the houses have been modified to conform to the ADA and other accessibility requirements. The floor plans have increased approximately 50 to 100 sq. ft. according to which plan.
4. Due to increased construction costs we are now asking for an additional \$108,046 in Credits.

We have included the necessary documentation to support the above contract amendments.

Thank you in advance for your time and consideration.

Respectfully,

Douglas R. Dowler,
Pineywoods Lufkin Home Team Ltd.

07190

Stephen Austin
School Apartments

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 14, 2007

Action Item

Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit (“HTC”) Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

I. Stephen Austin School Apartments - 07190

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

Pursuant to §49.9(i)(27)(A) of the 2007 QAP, 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. For each extension request made, the Applicant will receive a five point deduction for not meeting the Carryover deadline. An extension of the Carryover deadline was requested and granted for Beaumont Downtown Lofts, 060202; therefore, a five point deduction was applied to the following: Landmark Asset Services, Inc., Sari & Company, Fitch Development Group, Inc., Lisa Sari, Jim Sari, DeWayne Anderson, Jr., Hollis Fitch, and Brannon Fitch (the “parties”). Each of the listed parties appears in the organizational structure of the Applicant, Austin School Apartments, Ltd. Therefore, the final score was reduced by five points.

The Applicant’s appeal of the imposition of these penalty points is based on several assertions: the Carryover items for 060202 were all in the possession of the development owner by the original submission deadline, but were not submitted because of confusion over the Carryover deadline for another Application awarded Housing Tax Credits in 2006, Moore Grocery Lofts, 060201; the 2006 Application Round was the first time that the parties participated in the Housing Tax Credit (“HTC”) program in Texas; and rather than manipulating the ownership structure of the Applicant to avoid penalty points, the parties made a good faith effort to accurately represent the structure of the Applicant.

§49.9(i)(27)(A) of the 2007 explicitly states that “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... For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline.” §49.3(6) of the 2007 QAP defines Applicant as “any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation.” The organizational structure of the Applicant for Beaumont Downtown Lofts consists of the same Persons as the Applicant for the Stephen Austin School Apartments, Austin School Apartments, Ltd.; therefore, the five point penalty was imposed pursuant to §49.9(i)(27)(A) of the 2007 QAP. It should be emphasized that these penalty points are required by §2306.6710(b)(2) of Texas Government Code and that the Department does not have the authority to waive statutory penalties.

Relevant documentation related to this appeal is provided behind the Board Action Request.

| | |
|-------------------------------|--------------------------------|
| Applicant: | Austin School Apartments, Ltd. |
| Site Location: | 1702 Wesley St. |
| City / County: | Greenville / Hunt |
| Regional Allocation Category: | Urban / Exurban |
| Set-Aside: | None |
| Population Served: | General |
| Region: | 3 |
| Type of Development: | New Construction |
| Units: | 36 |
| Credits Requested: | \$439,226 |

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

07190
Appeal
Documentation

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS
SUITE 300
AUSTIN, TX 78701-4042

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

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

Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

May 29, 2007

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 West 11th Street
Austin, Texas 78701

Re: Stephen Austin School Apartments (the "Project")
TDHCA No. 07190

Dear Mr. Gerber:

We have been engaged to represent the applicant for the above-referenced Project. The applicant has been notified that 5 points have been deducted from its score as a penalty for requesting an extension of a TDHCA deadline, and the applicant wishes to appeal this determination.

Background Information

The proposed Project is an adaptive reuse in the heart of downtown Greenville. The applicant intends to acquire a former school with designated historic status and convert it into 12 loft apartments and 24 new construction residences for low-income families. This building has been a landmark in the community for 80 years and has sat dilapidated and unused for 10 years.

The penalty applied to the Project's tax credit application relates to the fact that an affiliate of the applicant applied for an extension of the carryover deadline for the Beaumont Downtown Lofts and the Moore Grocery Lofts in 2006. The Beaumont Downtown Lofts were allocated tax credits from the special Hurricane Rita allocation round, and the Moore Grocery Lofts were allocated tax credits as a 2007 forward commitment. These two projects represented our client's first attempt to apply for tax credits in Texas and its first receipt of tax credits in Texas, although it has been developing historic properties with tax credits in other states for years.

The request for extension was precipitated by an error in the original commitment notice for Moore Grocery Lofts. As a forward commitment project, Moore Grocery Lofts should have been required to meet carryover in 2007. However, its original commitment notice indicated that carryover should be met in 2006.

Although all of the requirements for Beaumont Downtown Lofts to meet carryover were completed prior to the carryover deadline, our client was trying to handle both Beaumont Downtown Lofts and Moore Grocery Lofts in tandem. The client asked for carryover extensions for both Beaumont Downtown Lofts and Moore Grocery Lofts in order to work out the confusion about the carryover deadline for Moore Grocery Lofts caused by the error in the original commitment notice. At the time, the client was not cognizant of the

five point deduction for requesting the extension. Because it was working in Texas for the first time, it was focusing on ensuring that the carryover submissions were in compliance with TDHCA rules and regulations and it wanted to clear up the Moore Grocery Lofts problem before submitting anything to the agency.

The extension request for Moore Grocery Lofts was subsequently rescinded and a new commitment notice was issued, with a carryover deadline of 2007. Upon receiving the revised commitment notice for Moore Grocery Lofts, our client submitted the carryover package for Beaumont Downtown Lofts. Thus, only the extension for the Beaumont Downtown Lofts carryover is actually causing the penalty for the Project's application.

Points to Consider

- All items to meet carryover were actually in place for Beaumont Downtown Lofts, prior to the original carryover deadline. The actual submittal was delayed because our client thought it would be more efficient to submit the carryover documentation for both projects simultaneously, and it was under the mistaken impression that carryover for Moore Grocery Lofts would be required in 2006.
- Our client was operating in Texas for the first time and wanted to insure that applicable guidelines and regulations were met. In trying to approach things logically and sequentially, it actually harmed itself inadvertently.
- Our client could have avoided this penalty by restructuring the ownership of the Project so that it would not be affiliated with Beaumont Downtown Lofts. However, rather than manipulating ownership, it acted in good faith to show the actual principals for the Project's application.

Conclusion

We request that the Agency reconsider the point deductions to the application for the Stephen Austin School Apartments. This Project has far reaching public support and it exceeds the public policy guidelines set for the development of affordable housing. These point deductions relate to a clerical error in the original commitment notice for Moore Grocery Lofts and the inexperience of the development team in the State of Texas. The errors have no bearing on the overall need for and merit of the proposed Project.

If the Executive Director denies this appeal, the applicant requests to have it heard by the Board at the next available Board meeting. Thank you.

Sincerely,



Cynthia L. Bast

cc: Robbye Meyer
Audrey Martin

07190

Executive Director
Appeal Response



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

June 1, 2007

Mr. Hollis Fitch
Austin School Apartments, Ltd.
406 E. 4th St.
Winston-Salem, NC 27101
Telephone: (336) 714-8929
Facsimile: (336) 722-3603

Re: Appeal Received for Stephen Austin School Apartments – 07190

Dear Mr. Fitch:

Appeal Review

I have carefully reviewed the Application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 29, 2007 regarding point losses under §49.9(i)(27)(A) of the 2007 Qualified Allocation Plan and Rules ("QAP"), Scoring Imposed Penalties.

Pursuant to §49.9(i)(27)(A) of the 2007 QAP, 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. For each extension request made, the Applicant will receive a five point deduction for not meeting the Carryover deadline. An extension of the Carryover deadline was requested and granted for Beaumont Downtown Lofts, 060202; therefore, a five point deduction was applied to the following: Landmark Asset Services, Inc., Sari & Company, Fitch Development Group, Inc., Lisa Sari, Jim Sari, DeWayne Anderson, Jr., Hollis Fitch, and Brannon Fitch (the "parties"). Each of the listed parties appears in the organizational structure of the Applicant, Austin School Apartments, Ltd. Therefore, the final score was reduced by five points.

You have appealed the imposition of these penalty points based on several assertions: the Carryover items for 060202 were all in the possession of the development owner, but were not submitted because of confusion over the Carryover deadline for another Application awarded Housing Tax Credits in 2006, 060201; the 2006 Application Round was the first time that the parties participated in the Housing Tax Credit ("HTC") program in Texas; and rather than

Mr. Fitch
June 1, 2007
Page 2 of 2

manipulating the ownership structure of the Applicant to avoid penalty points, the parties made a good faith effort to accurately represent the structure of the Applicant.

§49.9(i)(27)(A) of the 2007 explicitly states that "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... For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline." §49.3(6) defines Applicant as "any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation." An extension request was made and granted for 060202, Beaumont Downtown Lofts. The organizational structure of the Applicant for Beaumont Downtown Lofts consists of the same Persons as the Applicant for the Stephen Austin School Apartments, Austin School Apartments, Ltd.; therefore, the five point penalty must be imposed. Additionally, these penalty points are required by §2306.6710(b)(2) of Texas Government Code; the Department does not have the authority to waive statutory penalties.

Appeal Determination

Your appeal is denied.

Pursuant to §49.17(b)(4) of the 2007 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 14, 2007 Board meeting. Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2006 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,



Michael Gerber
Executive Director

07190
Scoring Notice



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Austin School Apartments, LTD
 Hollis Fitch
 406 E. 4th St.
 Winston-Salem, NC 27101

Date Issued: May 21, 2007

**THIS NOTICE WILL ONLY BE
 TRANSMITTED VIA EMAIL**

Phone #: (336) 714-8929

Fax #: (336) 722-3603

Email: hollis@landmarkdevelopment.biz Second Email: bill@landmarkdevelopment.biz

RE: 2007 Competitive Housing Tax Credit (HTC) Application for Stephen Austin School Apartments
TDHCA Number: 07190

Attention: Hollis Fitch

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §49.9(d)(1) of the 2007 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the four categories for which points could not be requested by the applicant: Quantifiable Community Participation ("QCP") §49.9(i)(2) of the 2007 QAP; letters of support or opposition from State Senators; §49.9(i)(6) letters of support or opposition from State Representatives; and §49.9(i)(16), letters of community support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §49.9(i)(5), or (25) of the 2007 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §49.9(i)(5) and (25) of the 2007 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §49.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban/Exurban Set Asides: USDA Non Profit At Risk

| | |
|--|------------|
| Score Requested by Applicant (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 159 |
| Score Requested as Calculated by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 159 |
| Score Awarded by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 154 |
| Difference between Requested and Awarded (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 5 |
| Points Awarded for §49.9(i)(2), Quantifiable Community Participation: | 12 |
| Points Awarded for §49.9(i)(6), Input from State Senator: | 7 |
| Points Awarded for §49.9(i)(6), Input from State Representative: | 7 |
| Points Awarded for §49.9(i)(16), Community Support Other than QCP: | 2 |
| Final Score Awarded to Application by Department: | 182 |



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Page 2 of Final Scoring Notice: 07190, Stephen Austin School Apartments

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§49.9(i)(2) and (6)):

§49.9(i)(27)(A) – Scoring Criteria Imposing Penalties: 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. For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline. An extension of the Carryover deadline was requested and granted for Beaumont Downtown Lofts, 060202; therefore, a 5 point deduction was applied to the following: Landmark Asset Services, Inc., Sari & Company, Fitch Development Group, Inc., Lisa Sari, Jim Sari, DeWayne Anderson, Jr., Hollis Fitch, and Brannon Fitch. Each of the listed parties appears in the organizational structure of the Applicant, Stephen Austin School Apartments, Ltd. Therefore, the final score is reduced by 5 points. (Points Requested: 0, Points Awarded: -5)

§49.9(i)(16) – Demonstration of Community Support Other Than QCP: In order to be eligible for these points, the Development must receive letters of support from civic or community organizations that are active in and serve the community in which the Development is located. Letters from neighborhood organizations are not eligible for points. The letter from the Lee-Washington Neighborhood Association is from a neighborhood organization, and is ineligible for points. Therefore, the points are not awarded for this letter. (Number of Letters Submitted: 2, Number of Letters Scored: 1, Points Awarded: 2)

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m., Tuesday, May 29, 2007. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department Board. THE DEPARTMENT STRONGLY SUGGESTS that you submit your appeal to the Executive Director no later than Friday, May 25, 2007 by 5:00 p.m. in order to allow an ED response to the appeal and any denied appeals to be added to the June 14, 2007 Board agenda. The restrictions and requirements relating to the appeals policy can be found in §49.17(b) of the 2007 QAP.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 14, 2007 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by 5:00 p.m. Tuesday, June 5, 2007. All appeals should be submitted to the attention of Audrey Martin.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us on Tuesday, May 22, 2007 at 5:00 p.m. A list of the Applications approved by staff to be considered by the Department's Board will be available on the website no later than June 21, 2007. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Audrey Martin by facsimile (512) 475-0764 or (512) 475-1895 or email to audrey.martin@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 07190, Stephen Austin School Apartments

I am in receipt of my 2007 scoring notice and am filing a formal appeal to the Executive Director on or before May 29, 2007, although the Department recommends submission by May 25, 2007, for processing (attached).

If my appeal is denied by the Executive Director, I:

Do wish to appeal to the Board of Directors and request that my application be added to the June 14, 2007 Department Board of Directors meeting agenda. My appeal documentation which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2007 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed BDO Scahill

Title VP Landmark Asset Services Inc GP

Date MAY 25, 2007

Please fax or email to the attention of Audrey Martin:

Fax: (512) 475-0764 or (512) 475-1895

Email: audrey.martin@tdhca.state.tx.us

07191
Washington Hotel
Lofts

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 14, 2007

Action Item

Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit (“HTC”) Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

I. Washington Hotel Lofts – 07191

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

§49.9(d)(4) of the 2007 Qualified Allocation Plan and Rules (“QAP”), Administrative Deficiencies

Points were deducted under this section because an item from the threshold review Deficiency Notice was received after 5:00 p.m. on the fifth day, but before 5:00 p.m. on the sixth day following the date of the Deficiency Notice. A Deficiency Notice was issued on April 4, 2007 and due by 5:00 p.m. on April 11, 2007 to avoid any point loss. Architectural plans for each unit type in the development were not received by the Department until April 12, 2007; therefore, the final score was reduced by five points.

The Applicant’s appeal of this point loss is based on several assertions regarding the hardship involved in securing architectural plans for an adaptive reuse development: the proposed project contains eleven different unit layouts; plans for so many different unit types take a significant amount of time to generate; unit plans that were representative of the units were submitted within the initial five-day deficiency response period even though the exact plans were not submitted until after the initial period; the deficiency response period included the Easter weekend and the development architect’s office was closed for part of the response period in observance of the holiday; and the Department issued Deficiency Notices for all three of the owner contacts’ Applications at the same time, resulting in a large volume of work for the development architect.

The requirement for architectural plans is outlined in §49.9(h)(5)(iii) of the 2007 QAP; the QAP specifically requires “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.” Furthermore, §49.9(h) of the

2007 QAP states that “Threshold Criteria listed in this subsection are mandatory requirements *at the time of Application submission...*” (*emphasis added*). Pursuant to the QAP, Unit floor plans for each Unit type are required to be submitted with the Application on March 1, 2007. Although providing eleven different unit floor plans may be burdensome within a five-day Administrative Deficiency period, the documentation was not requested for the first time in the Deficiency Notice, but rather was part of Threshold Criteria required on March 1, 2007. Pursuant to §49.9(d) of the 2007 QAP Department staff required correction of information submitted in the Application; consistent with this section, points were deducted from the final score of the Application.

§49.9(i)(13) of the 2007 QAP, Pre-Application Participation Incentive Points

Pre-Application Incentive Points may not be awarded to an Application if the score for the Application is 5% less than, or greater than, the final Pre-Application score. The final award of the Pre-Application was 164 points. In order to be awarded the full six points for participating in the Pre-Application process, the Application final score cannot be more than 5% less than the Pre-Application score (no less than 156 points). After point losses, the final Application score exceeded the 5% variance (155 points). Therefore Pre-Application Incentive Points were not awarded to the Application.

The Applicant’s appeal of the loss of these points is based on several assertions: the purpose of the Pre-Application process is to allow Applicants to evaluate their competition at an early stage; the point incentive for participation in the Pre-Application process is intended to provide an incentive to participate without artificially inflating scores; the deviation in the score for this Application from Pre-Application to Application is a result of Department-imposed penalties, not an attempt by the Applicant to inflate the Pre-Application score; deducting penalty points from the Application caused the score deviation that resulted in the loss of Pre-Application Incentive Points; and deducting these points does not serve the intent of the penalty to promote fair competition.

§49.9(i)(13) of the 2007 QAP explicitly states that in order to be eligible for points under this section, “the Application must be awarded by the Department an Application score that is not more than 5% greater of less than the number of points awarded by the Department at Pre-Application.” The score awarded by the Department at Application was 5.5% lower than the score awarded by the Department at Pre-Application; therefore the Application is ineligible for these points.

§49.9(i)(27)(A) of the 2007 QAP, Scoring Imposed Penalties

Pursuant to §49.9(i)(27)(A) of the 2007 QAP, 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. For each extension request made, the Applicant will receive a five point deduction for not meeting the Carryover deadline. An extension of the Carryover deadline was requested and granted for Beaumont Downtown Lofts, 060202; therefore, a five point deduction was applied to the following: Landmark Asset

Services, Inc., Sari & Company, Fitch Development Group, Inc., Lisa Sari, Jim Sari, DeWayne Anderson, Jr., Hollis Fitch, and Brannon Fitch (the “parties”). Sari & Company, Fitch Development Group, Inc., Jim Sari, Hollis Fitch, and Brannon Fitch appear in the organizational structure of the Applicant, Washington Hotel Lofts, LTD. Therefore, the final score was reduced by five points.

The Applicant’s appeal of the imposition of these penalty points is based on several assertions: the Carryover items for 060202 were all in the possession of the development owner by the original submission deadline, but were not submitted because of confusion over the Carryover deadline for another Application awarded Housing Tax Credits in 2006, Moore Grocery Lofts, 060201; the 2006 Application Round was the first time that the parties participated in the Housing Tax Credit (“HTC”) program in Texas; and rather than manipulating the ownership structure of the Applicant to avoid penalty points, the parties made a good faith effort to accurately represent the structure of the Applicant.

§49.9(i)(27)(A) of the 2007 explicitly states that “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... For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline.” §49.3(6) of the 2007 QAP defines Applicant as “any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation.” The organizational structure of the Applicant for Beaumont Downtown Lofts consists of several of the same Persons as the Applicant for the Washington Hotel Lofts, Washington Hotel Lofts, LTD; therefore, the five point penalty was imposed pursuant to §49.9(i)(27)(A) of the 2007 QAP. It should be emphasized that these penalty points are required by §2306.6710(b)(2) of Texas Government Code and that the Department does not have the authority to waive statutory penalties.

Relevant documentation related to this appeal is provided behind the Board Action Request.

| | |
|-------------------------------|-----------------------------|
| Applicant: | Washington Hotel Lofts, LTD |
| Site Location: | 2612 Washington St. |
| City / County: | Greenville / Hunt |
| Regional Allocation Category: | Urban / Exurban |
| Set-Aside: | None |
| Population Served: | General |
| Region: | 3 |
| Type of Development: | New Construction |
| Units: | 36 |
| Credits Requested: | \$349,937 |

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

07191
Appeal
Documentation

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS
SUITE 300
AUSTIN, TX 78701-4042

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

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

Direct Number: (512) 305-4707
email: cbast@lockeliddell.com

May 29, 2007

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 West 11th Street
Austin, Texas 78701

Re: Washington Hotel Lofts (the "**Project**")
TDHCA No. 07191

Dear Mr. Gerber:

We have been engaged to represent the applicant for the above-referenced Project. The applicant has been notified that 18 points have been deducted from its score, and the applicant wishes to appeal this determination as to 16 of those points, as described below.

Background Information

The proposed Project is an adaptive reuse in the heart of downtown Greenville. The applicant intends to acquire a former hotel with designated historic status and convert it into 36 loft apartments for low-income families. This building has been a landmark in the community for 80 years and has sat dilapidated and unused for 10 years.

Point Deduction #1: Five Points Requesting and Extension of a TDHCA Deadline. The penalty applied to the Project's tax credit application relates to the fact that an affiliate of the applicant applied for an extension of the carryover deadline for the Beaumont Downtown Lofts and the Moore Grocery Lofts in 2006. The Beaumont Downtown Lofts were allocated tax credits from the special Hurricane Rita allocation round, and the Moore Grocery Lofts were allocated tax credits as a 2007 forward commitment. These two projects represented our client's first attempt to apply for tax credits in Texas and its first receipt of tax credits in Texas, although it has been developing historic properties with tax credits in other states for years.

The request for extension was precipitated by an error in the original commitment notice for Moore Grocery Lofts. As a forward commitment project, Moore Grocery Lofts should have been required to meet carryover in 2007. However, its original commitment notice indicated that carryover should be met in 2006.

Although all of the requirements for Beaumont Downtown Lofts to meet carryover were completed prior to the carryover deadline, our client was trying to handle both Beaumont Downtown Lofts and Moore Grocery Lofts in tandem. The client asked for carryover extensions for both Beaumont Downtown Lofts and Moore Grocery Lofts in order to work out the confusion about the carryover deadline for Moore Grocery Lofts caused by the error in the original commitment notice. At the time, the client was not cognizant of the

five point deduction for requesting the extension. Because it was working in Texas for the first time, it was focusing on ensuring that the carryover submissions were in compliance with TDHCA rules and regulations and it wanted to clear up the Moore Grocery Lofts problem before submitting anything to the agency.

The extension request for Moore Grocery Lofts was subsequently rescinded and a new commitment notice was issued, with a carryover deadline of 2007. Upon receiving the revised commitment notice for Moore Grocery Lofts, our client submitted the carryover package for Beaumont Downtown Lofts. Thus, only the extension for the Beaumont Downtown Lofts carryover is actually causing the penalty for the Project's application.

Point Deduction #2: Five Points for Late Response to Administrative Deficiency. Section 49.9(h)(5) of the 2007 Qualified Allocation Plan (the "QAP") requires each applicant to provide:

- (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 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) 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.

This Project involves the adaptive reuse of an historic building. The architectural design for such work is extremely cumbersome. In a typical new construction apartment complex, the design contains only a few unit types. However, in an adaptive reuse project, all of the units may be different to fit them within the existing shell. This type of work requires four to five times the amount of effort for the architect to design.

The proposed Project contains:

- One kind of 1 bedroom/1 bathroom unit;
- Six kinds of 2 bedroom/2 bathroom units (each with different square footage); and
- Four kinds of 3 bedroom/2 bathroom units (each with different square footage).

Our client submitted an example of each unit and then described the other units as similar to the ones submitted. All unit sizes by square footage were laid out in the application. Nonetheless, the client received a deficiency notice by which they were requested to: "submit unit plans for each unit type, stating the net rentable area of each unit type. The net rentable areas must match the building configuration form in Vol. 1 Tab 2, Part F, as must their combined total."

Our client was told that drawings for all the units would be required. This request required significant time on the part of the architect (and significant expense on the part of the client for the architect's services). In addition, the deficiency request was received by the client on Wednesday, April 4. The architect's offices were closed on Friday, April 6 for the Easter holiday and for the remainder of the weekend. As a result, the complete drawings were not available and submitted to TDHCA until Thursday, April 12, one day after the deadline of Wednesday, April 11. This one-day delay in submitting the drawings caused the client to incur a five point penalty on the Project's application.

Point Deduction #3: Six Points for Pre-Application Incentive Points. Because of the deduction of points described above, the applicant's final score was more than 5% less than the pre-application score. As a result, the pre-application incentive points were eliminated.

Points to Consider – Deduction #1

- All items to meet carryover were actually in place for Beaumont Downtown Lofts, prior to the original carryover deadline. The actual submittal was delayed because our client thought it would be more efficient to submit the carryover documentation for both projects simultaneously, and it was under the mistaken impression that carryover for Moore Grocery Lofts would be required in 2006.
- Our client was operating in Texas for the first time and wanted to insure that applicable guidelines and regulations were met. In trying to approach things logically and sequentially, it actually harmed itself inadvertently.
- Our client could have avoided this penalty by restructuring the ownership of the Project so that it would not be affiliated with Beaumont Downtown Lofts. However, rather than manipulating ownership, it acted in good faith to show the actual principals for the Project's application.

Points to Consider – Deduction #2

- The complexity of this type of project requires special consideration. For purposes of Section 49.9(h)(5) of the QAP, the Project is held to the same standards as a new construction project, even though the product type is vastly different. Rehabilitation projects are treated differently for purposes of this Section of the QAP, but an adaptive reuse project is not considered "rehabilitation".
- The unit layouts for an adaptive reuse project are not exact, and it is unrealistic to expect or require the applicant to have the exact unit layout in place at the time of application. Until exploratory demolition can be performed, it is difficult for an architect to be able to give exact unit layouts. Despite the fact that there may be some change in the overall unit layout, the net rentable square footage will remain the same because the applicant is working within the finite space of an existing building.
- The applicant made a good faith effort to identify the anticipated unit layout in its initial presentation. It tried to present the proposed plan in a reasonable manner, without incurring burdensome architect expense and without being able to further explore the physical plant of a building it does not yet own.
- This type of Project serves a greater public purpose than a new affordable housing development on its own. The transaction offers a financially viable option to save an historic structure that is vital to

the history of the community. This type of project also offers a greater economic stimulus for the area because of the location in a prime downtown redevelopment area.

Points to Consider – Deduction #3

- The purpose of the pre-application process is to give all applicants a reasonable look at the competition. Based on this initial impression, some applicants proceed with their applications and some do not. If an applicant is allowed to load up its application with an unrealistic score, it may discourage other applicants from continuing with the process. Thus, the six-point penalty was employed to give the applicants an incentive to submit accurate self-scores in their pre-applications.
- The deviation in our client's scoring results not from manipulation of the scoring criteria or grasping for points that are not attainable. Rather, the deviation results from the imposition of penalties by TDHCA. This kind of deviation should not result in the additional penalty of loss of pre-application points. Deducting the pre-application points in this instance does nothing to serve the intent of the penalty to promote fair competition.

Conclusion

We request that the Agency reconsider the point deductions to the application for the Washington Hotel Lofts. This Project has far reaching public support and it exceeds the public policy guidelines set for the development of affordable housing. The penalties described above have no bearing on the overall need for and merit of the proposed Project or on the ability of the development team

If the Executive Director denies this appeal, the applicant requests to have it heard by the Board at the next available Board meeting. Thank you.

Sincerely,



Cynthia L. Bast

cc: Robbye Meyer
Audrey Martin

07191

Executive Director
Appeal Response



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

June 1, 2007

Mr. Hollis Fitch
Washington Hotel Lofts, LTD
406 E. 4th St.
Winston-Salem, NC 27101
Telephone: (336) 714-8929
Facsimile: (336) 722-3603

Re: Appeal Received for Washington Hotel Lofts – 07191

Dear Mr. Fitch:

Appeal Review

I have carefully reviewed the Application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 29, 2007 regarding point losses under §49.9(d)(4) of the 2007 Qualified Allocation Plan and Rules ("QAP"), Administrative Deficiencies; §49.9(i)(13) of the 2007 QAP, Pre-Application Participation Incentive Points; and §49.9(i)(27)(A) of the 2007 QAP, Scoring Imposed Penalties.

§49.9(d)(4) of the 2007 QAP, Administrative Deficiencies

Points were deducted under this section because an item from the threshold review Deficiency Notice was received after 5:00 p.m. on the fifth day, but before 5:00 p.m. on the sixth day following the date of the Deficiency Notice. A Deficiency Notice was issued on April 4, 2007 and due by 5:00 p.m. on April 11, 2007 to avoid any point loss. Architectural plans for each unit type in the development were not received by the Department until April 12, 2007; therefore, the final score was reduced by five points.

You have appealed this point reduction based on several assertions regarding the hardship involved in securing architectural plans for an adaptive reuse development: the proposed project contains eleven different unit layouts; plans for so many different unit types take a significant amount of time to generate; unit plans that were representative of the units were submitted within the initial five-day deficiency response period even though the exact plans were not submitted until after the initial period; the deficiency response period included the Easter weekend and the development architect's office was closed for part of the response period in observance of the

holiday; and the Department issued Deficiency Notices for all three of the owner contacts' Applications at the same time, resulting in a large volume of work for the development architect.

The requirement for architectural plans is outlined in §49.9(h)(5)(iii) of the 2007 QAP; the QAP specifically requires "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." Furthermore, §49.9(h) of the 2007 QAP states that "Threshold Criteria listed in this subsection are mandatory requirements *at the time of Application submission...*" (*emphasis added*). Although providing eleven different unit floor plans may be burdensome within a five-day Administrative Deficiency period, the requirement is clear in the QAP and must be fulfilled on at the time of Application submission, or March 1, 2007. Pursuant to §49.9(d) of the 2007 QAP Department staff required correction of information submitted in the Application; however, the architectural plans are explicitly required by the QAP, and were not required for the first time in the Deficiency Notice.

§49.9(i)(13) of the 2007 QAP, Pre-Application Participation Incentive Points

Pre-Application Incentive Points may be awarded to an Application if all requirements of §49.9(i)(13) of the 2007 QAP are fulfilled, including the requirement that the score for the Application is not 5% less than, or greater than, the final Pre-Application score. The final award of the Pre-Application was 164 points. In order to be awarded the full six points for participating in the Pre-Application process, the Application final score cannot be more than 5% less than the Pre-Application score (no less than 156 points). After point losses, the final Application score exceeded the 5% variance (155 points). Therefore Pre-Application Incentive Points were not awarded to the Application.

You have appealed the loss of these points based on several assertions: the purpose of the Pre-Application process is to allow Applicants to evaluate their competition at an early stage; the point incentive for participation in the Pre-Application process is intended to provide an incentive to participate without artificially inflating scores; the deviation in the score for this Application from Pre-Application to Application is a result of Department-imposed penalties, not an attempt by the Applicant to inflate the Pre-Application score; deducting penalty points from the Application caused the score deviation that resulted in the loss of Pre-Application Incentive Points; and deducting these points does not serve the intent of the penalty to promote fair competition.

§49.9(i)(13) of the 2007 QAP explicitly states that in order to be eligible for points under this section, "the Application must be awarded by the Department an Application score that is not more than 5% greater of less than the number of points awarded by the Department at Pre-Application." The score awarded by the Department at Application was 5.5% lower than the score awarded by the Department at Pre-Application; therefore the Application is ineligible for these points.

§49.9(i)(27)(A) of the 2007 QAP, Scoring Imposed Penalties

Pursuant to §49.9(i)(27)(A) of the 2007 QAP, 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. For each extension request made, the Applicant will receive a five point deduction for not meeting the Carryover deadline. An extension of the Carryover deadline was requested and granted for Beaumont Downtown Lofts, 060202; therefore, a five point deduction was applied to the following: Landmark Asset Services, Inc., Sari & Company, Fitch Development Group, Inc., Lisa Sari, Jim Sari, DeWayne Anderson, Jr., Hollis Fitch, and Brannon Fitch (the "parties"). Sari & Company, Fitch Development Group, Inc., Jim Sari, Hollis Fitch, and Brannon Fitch appear in the organizational structure of the Applicant, Washington Hotel Lofts, LTD. Therefore, the final score was reduced by five points.

You have appealed the imposition of these penalty points based on several assertions: the Carryover items for 060202 were all in the possession of the development owner, but were not submitted because of confusion over the Carryover deadline for another Application awarded Housing Tax Credits in 2006, 060201; the 2006 Application Round was the first time that the parties participated in the Housing Tax Credit ("HTC") program in Texas; and rather than manipulating the ownership structure of the Applicant to avoid penalty points, the parties made a good faith effort to accurately represent the structure of the Applicant.

§49.9(i)(27)(A) of the 2007 explicitly states that "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... For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline." §49.3(6) defines Applicant as "any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation." An extension request was made and granted for 060202, Beaumont Downtown Lofts. The organizational structure of the Applicant for Beaumont Downtown Lofts consists of several of the same Persons as the Applicant for the Washington Hotel Lofts, Washington Hotel Lofts, LTD; therefore, the five point penalty must be imposed. Additionally, these penalty points are required by §2306.6710(b)(2) of Texas Government Code; the Department does not have the authority to waive statutory penalties.

Appeal Determination

Your appeal is denied.

Pursuant to §49.17(b)(4) of the 2007 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 14, 2007 Board meeting. Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2006 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Mr. Fitch
June 1, 2007
Page 4 of 4

If you have questions or comments, please call (512) 475-3340.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Gerber", with a long horizontal flourish extending to the right.

Michael Gerber
Executive Director

07191
Scoring Notice



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Washington Hotel Lofts, LTD
 Hollis Fitch
 406 E. 4th St.
 Winston-Salem, NC 27101
 Phone #: (336) 722-9871
 Fax #: (336) 722-3603
 Email: hollis@landmarkdevelopment.biz

Date Issued: May 21, 2007

**THIS NOTICE WILL ONLY BE
 TRANSMITTED VIA EMAIL**

Second Email: devadmin@landmarkdevelopment.biz

RE: 2007 Competitive Housing Tax Credit (HTC) Application for Washington Hotel Lofts
TDHCA Number: 07191

Attention: Hollis Fitch

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §49.9(d)(1) of the 2007 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the four categories for which points could not be requested by the applicant: Quantifiable Community Participation ("QCP") §49.9(i)(2) of the 2007 QAP; letters of support or opposition from State Senators; §49.9(i)(6) letters of support or opposition from State Representatives; and §49.9(i)(16), letters of community support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §49.9(i)(5), or (25) of the 2007 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §49.9(i)(5) and (25) of the 2007 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §49.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban/Exurban Set Asides: USDA Non Profit At Risk

| | |
|--|------------|
| Score Requested by Applicant (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 167 |
| Score Requested as Calculated by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 167 |
| Score Awarded by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 149 |
| Difference between Requested and Awarded (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 18 |
| Points Awarded for §49.9(i)(2), Quantifiable Community Participation: | 12 |
| Points Awarded for §49.9(i)(6), Input from State Senator: | 7 |
| Points Awarded for §49.9(i)(6), Input from State Representative: | 7 |
| Points Awarded for §49.9(i)(16), Community Support Other than QCP: | 0 |
| Final Score Awarded to Application by Department: | 175 |



**MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application**

Page 2 of Final Scoring Notice: 07191, Washington Hotel Lofts

**Explanation for Difference between Points Requested and Points Awarded by the Department
(explanation does not include points for §§49.9(i)(2) and (6)):**

§49.9(i)(25) – Leveraging of Private, State, and Federal Resources: In order to be eligible for this point, the source of funds must be private, state, or federal. In a Deficiency Notice dated April 4, 2007, you were asked to provide evidence that the funds from the City of Greenville were private, state, or federal. You responded by stating that the requested evidence could not be obtained. Therefore, the 1 point is not awarded. (Points Requested: 1, Points Awarded: 0)

§49.9(i)(26) – Third-Party Funding Commitment Outside of Qualified Census Tracts: In order to be eligible for this point, evidence to be submitted with the Application must include a copy of the commitment of funds. In a Deficiency Notice dated April 4, 2007, you were notified that the funds from the City of Greenville had not been committed and that the Application is ineligible for points. You did not provide a response. Therefore, the 1 point is not awarded. (Points Requested: 1, Points Awarded: 0)

§49.9(i)(27)(A) – Scoring Criteria Imposing Penalties: 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. For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline. An extension of the Carryover deadline was requested and granted for Beaumont Downtown Lofts, 060202; therefore, a 5 point deduction was applied to the following: Landmark Asset Services, Inc., Sari & Company, Fitch Development Group, Inc., Lisa Sari, Jim Sari, DeWayne Anderson, Jr., Hollis Fitch, and Brannon Fitch. Sari & Company, Fitch Development Group, Inc., Jim Sari, Hollis Fitch, and Brannon Fitch appear in the organizational structure of the Applicant, Washington Hotel Lofts, Ltd. Therefore, the final score is reduced by 5 points. (Points Requested: 0, Points Awarded: -5)

§49.9(d)(4) – Administrative Deficiencies (Late Deficiency Penalty): A Deficiency Notice was issued on April 4, 2007 and due by 5:00 p.m. on April 11, 2007 to avoid any point loss. Architectural plans were not received by the Department until April 12, 2007. Therefore, the final score is reduced by 5 points. (Points Awarded: -5)

§49.9(i)(13) – Pre-Application Incentive Points: The final award of the Pre-Application was 164. In order to be awarded the full 6 points for participation in the Pre-Application process, the Application final score cannot be more than 5% less than the Pre-Application score (no less than 156 points). After point losses described above, the final Application score exceeded the 5% variance (155 points). The 6 points for Pre-Application are not awarded (Points Requested: 6, Points Awarded: 0). Therefore, the revised final score is 149 points.

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m., Tuesday, May 29, 2007. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department Board. THE DEPARTMENT STRONGLY SUGGESTS that you submit your appeal to the Executive Director no later than Friday, May 25, 2007 by 5:00 p.m. in order to allow an ED response to the appeal and any denied appeals to be added to the June 14, 2007 Board agenda. The restrictions and requirements relating to the appeals policy can be found in §49.17(b) of the 2007 QAP.



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 14, 2007 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by 5:00 p.m. Tuesday, June 5, 2007. All appeals should be submitted to the attention of Audrey Martin.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us on Tuesday, May 22, 2007 at 5:00 p.m. A list of the Applications approved by staff to be considered by the Department's Board will be available on the website no later than June 21, 2007. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Audrey Martin by facsimile (512) 475-0764 or (512) 475-1895 or email to audrey.martin@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 07191, Washington Hotel Lofts

I am in receipt of my 2007 scoring notice and am filing a formal appeal to the Executive Director on or before May 29, 2007, although the Department recommends submission by May 25, 2007, for processing (attached).

If my appeal is denied by the Executive Director, I:



Do wish to appeal to the Board of Directors and request that my application be added to the June 14, 2007 Department Board of Directors meeting agenda. My appeal documentation which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2007 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.



Do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed

BCC Sullivan

Title

VP Landmark Asset Services Inc, GP

Date

May 25, 2007

Please fax or email to the attention of Audrey Martin:

Fax: (512) 475-0764 or (512) 475-1895

Email: audrey.martin@tdhca.state.tx.us

07192
Historic Lofts of
Waco High

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 14, 2007

Action Item

Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit (“HTC”) Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

I. Historic Lofts of Waco High - 07192

This Applicant is appealing the eligibility of the scoring determination for the Application.

The scoring was reduced because of the following:

§49.9(d)(4) of the 2007 Qualified Allocation Plan and Rules (“QAP”), Administrative Deficiencies

Points were deducted under this section because an item from the threshold review Deficiency Notice was received after 5:00 p.m. on the sixth day, but before 5:00 p.m. on the seventh day following the date of the Deficiency Notice. A Deficiency Notice was issued on April 4, 2007 and due by 5:00 p.m. on April 11, 2007 to avoid any point loss. Architectural plans for each unit type in the development were not received by the Department until April 13, 2007; therefore, the final score was reduced by ten points.

The Applicant’s appeal of this point loss is based on several assertions regarding the hardship involved in securing architectural plans for an adaptive reuse development: the proposed project contains forty different unit layouts; plans for so many different unit types take a significant amount of time to generate; unit plans that were representative of the units were submitted within the initial five-day deficiency response period even though the exact plans were not submitted until after the initial period; the deficiency response period included the Easter weekend and the development architect’s office was closed for part of the response period in observance of the holiday; and the Department issued Deficiency Notices for all three of the owner contacts’ Applications at the same time, resulting in a large volume of work for the development architect.

The requirement for architectural plans is outlined in §49.9(h)(5)(iii) of the 2007 QAP; the QAP specifically requires “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.” Furthermore, §49.9(h) of the

2007 QAP states that “Threshold Criteria listed in this subsection are mandatory requirements *at the time of Application submission...*” (*emphasis added*). Pursuant to the QAP, Unit floor plans for each Unit type are required to be submitted with the Application on March 1, 2007. Although providing forty different unit floor plans may be burdensome within a five-day Administrative Deficiency period, the documentation was not requested for the first time in the Deficiency Notice, but rather was part of Threshold Criteria required on March 1, 2007. Pursuant to §49.9(d) of the 2007 QAP Department staff required correction of information submitted in the Application; consistent with this section, points were deducted from the final score of the Application.

§49.9(i)(6) of the 2007 QAP, Support from State Elected Officials

A letter of support from State Representative Jim Dunnam was submitted for the development, but received a score of zero points. Zero points were awarded for the letter from State Representative Jim Dunnam because Representative Dunnam does not represent the district in which the development is located.

The Applicant’s appeal of this loss of points is based on several assertions: Representative Dunnam’s letter was received by the Department by the deadline required under §49.9(i)(6) of the 2007 QAP; City of Waco officials informed the Applicant that the development site is located within Representative Dunnam’s district; Representative Dunnam’s district includes half of the City of Waco and is included in the market area for the development; Representative Dunnam’s constituents are potential residents of the development; and Representative Charles Anderson, the State Representative whose district includes the development site, has provided support for the development verbally.

§49.9(i)(6) of the 2007 QAP states that “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 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” (*emphasis added*). Department staff has reasonably interpreted “areas that include the location of the Development” to mean the State Senator or Representative district includes the Development. The letter from State Representative Jim Dunnam is ineligible for points under §49.9(i)(6) of the 2007 QAP because Representative Dunnam does not represent constituents in areas that include the location of the Development.

On June 4, 2007, the Department received a letter of support from State Representative Charles Anderson. §49.9(i)(6) of the 2007 QAP states that “documentation will be accepted with the Application or through delivery to the Department from the Applicant or official by April 2, 2007.” The letter from State Representative Charles Anderson is ineligible for points under §49.9(i)(6) of the 2007 QAP because the letter was not received by the Department until June 4, 2007, well after the April 2, 2007 deadline.

§49.9(i)(13) of the 2007 QAP, Pre-Application Participation Incentive Points

Pre-Application Incentive Points may not be awarded to an Application if the score for the Application is 5% less than, or greater than, the final Pre-Application score. The final award of the Pre-Application was 159 points. In order to be awarded the full six points for participating in the Pre-Application process, the Application final score could be more than 5% less than the Pre-Application score (no less than 151 points). After point losses, the final Application score exceeded the 5% variance (144 points). Therefore Pre-Application Incentive Points were not awarded to the Application.

The Applicant's appeal of the loss of these is points based on several assertions: the purpose of the Pre-Application process is to allow Applicants to evaluate their competition at an early stage; the point incentive for participation in the Pre-Application process is intended to provide an incentive to participate without artificially inflating scores; the deviation in the score for this Application from Pre-Application to Application is a result of Department-imposed penalties, not an attempt by the Applicant to inflate the Pre-Application score; deducting penalty points from the Application caused the score deviation that resulted in the loss of Pre-Application Incentive Points; and deducting these points does not serve the intent of the penalty to promote fair competition.

§49.9(i)(13) of the 2007 QAP explicitly states that in order to be eligible for points under this section, "the Application must be awarded by the Department an Application score that is not more than 5% greater of less than the number of points awarded by the Department at Pre-Application." The score awarded by the Department at Application was 9.4% lower than the score awarded by the Department at Pre-Application; therefore the Application is ineligible for these points.

§49.9(i)(27)(A) of the 2007 QAP, Scoring Imposed Penalties

Pursuant to §49.9(i)(27)(A) of the 2007 QAP, 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. For each extension request made, the Applicant will receive a five point deduction for not meeting the Carryover deadline. An extension of the Carryover deadline was requested and granted for Beaumont Downtown Lofts, 060202; therefore, a five point deduction was applied to the following: Landmark Asset Services, Inc., Sari & Company, Fitch Development Group, Inc., Lisa Sari, Jim Sari, DeWayne Anderson, Jr., Hollis Fitch, and Brannon Fitch (the "parties"). Each of the listed parties appears in the organizational structure of the Applicant for Historic Lofts of Waco High, Historic Lofts of Waco High, Ltd. Therefore, the final score was reduced by five points.

The Applicant's appeal of the imposition of these penalty points is based on several assertions: the Carryover items for 060202 were all in the possession of the development owner by the original submission deadline, but were not submitted because of confusion over the Carryover deadline for another Application awarded Housing Tax Credits in 2006, Moore Grocery Lofts, 060201; the 2006 Application Round was the first time that the parties participated in the Housing Tax Credit ("HTC") program in Texas; and rather than manipulating the ownership

structure of the Applicant to avoid penalty points, the parties made a good faith effort to accurately represent the structure of the Applicant.

§49.9(i)(27)(A) of the 2007 explicitly states that “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... For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline.” §49.3(6) of the 2007 QAP defines Applicant as “any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation.” The organizational structure of the Applicant for Beaumont Downtown Lofts consists of the same Persons as the Applicant for the Historic Lofts of Waco High, Historic Lofts of Waco High, Ltd.; therefore, the five point penalty was imposed pursuant to §49.9(i)(27)(A) of the 2007 QAP. It should be emphasized that these penalty points are required by §2306.6710(b)(2) of Texas Government Code and that the Department does not have the authority to waive statutory penalties.

Relevant documentation related to this appeal is provided behind the Board Action Request.

| | |
|-------------------------------|-----------------------------------|
| Applicant: | Historic Lofts of Waco High, Ltd. |
| Site Location: | 815 Columbus Ave. |
| City / County: | Waco / McLennan |
| Regional Allocation Category: | Urban / Exurban |
| Set-Aside: | None |
| Population Served: | General |
| Region: | 8 |
| Type of Development: | Acquisition / New Construction |
| Units: | 104 |
| Credits Requested: | \$1,127,838 |

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

07192
Appeal
Documentation

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS
SUITE 300
AUSTIN, TX 78701-4042

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

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May 29, 2007

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 West 11th Street
Austin, Texas 78701

Re: Historic Lofts of Waco High (the "**Project**")
TDHCA No. 07192

Dear Mr. Gerber:

We have been engaged to represent the applicant for the above-referenced Project. The applicant has been notified that 21 points have been deducted from its score, and the applicant wishes to appeal this determination, as described below. In addition, the applicant wishes to appeal the denial of points for a letter of support from a State Representative.

Background Information

The proposed Project is an adaptive reuse in the heart of downtown Waco. The applicant intends to acquire the historic Waco High School and convert it into 104 apartments for low-income families. This building is a landmark property that has significant historic and sentimental value to the residents of the City of Waco. The Project will bring residents back into the downtown and help to stimulate the economy of an area in the city that has experienced barriers to growth.

Point Deduction #1: Five Points Requesting and Extension of a TDHCA Deadline. The penalty applied to the Project's tax credit application relates to the fact that an affiliate of the applicant applied for an extension of the carryover deadline for the Beaumont Downtown Lofts and the Moore Grocery Lofts in 2006. The Beaumont Downtown Lofts were allocated tax credits from the special Hurricane Rita allocation round, and the Moore Grocery Lofts were allocated tax credits as a 2007 forward commitment. These two projects represented our client's first attempt to apply for tax credits in Texas and its first receipt of tax credits in Texas, although it has been developing historic properties with tax credits in other states for years.

The request for extension was precipitated by an error in the original commitment notice for Moore Grocery Lofts. As a forward commitment project, Moore Grocery Lofts should have been required to meet carryover in 2007. However, its original commitment notice indicated that carryover should be met in 2006.

Although all of the requirements for Beaumont Downtown Lofts to meet carryover were completed prior to the carryover deadline, our client was trying to handle both Beaumont Downtown Lofts and Moore Grocery Lofts in tandem. The client asked for carryover extensions for both Beaumont Downtown Lofts and Moore Grocery Lofts in order to work out the confusion about the carryover deadline for Moore Grocery Lofts caused by the error in the original commitment notice. At the time, the client was not cognizant of the five point deduction for requesting the extension. Because it was working in Texas for the first time, it was focusing on ensuring that the carryover submissions were in compliance with TDHCA rules and regulations and it wanted to clear up the Moore Grocery Lofts problem before submitting anything to the agency.

The extension request for Moore Grocery Lofts was subsequently rescinded and a new commitment notice was issued, with a carryover deadline of 2007. Upon receiving the revised commitment notice for Moore Grocery Lofts, our client submitted the carryover package for Beaumont Downtown Lofts. Thus, only the extension for the Beaumont Downtown Lofts carryover is actually causing the penalty for the Project's application.

Point Deduction #2: Ten Points for Late Response to Administrative Deficiency. Section 49.9(h)(5) of the 2007 Qualified Allocation Plan (the "QAP") requires each applicant to provide:

- (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 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) 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.

This Project involves the adaptive reuse of an historic building. The architectural design for such work is extremely cumbersome. In a typical new construction apartment complex, the design contains only a few unit types. However, in an adaptive reuse project, all of the units may be different to fit them within the existing shell. This type of work requires four to five times the amount of effort for the architect to design.

The proposed Project contains 40 different unit layouts. Our client submitted an example of each unit and then described the other units as similar to the ones submitted. All unit sizes by square footage were laid out in the application. Nonetheless, the client received a deficiency notice by which they were requested to: "submit unit plans for each unit type, stating the net rentable area of each unit type. The

net rentable areas must match the building configuration form in Vol. 1 Tab 2, Part F, as must their combined total."

Our client endeavored to respond but was told that drawings for all the units would be required. This request required significant time on the part of the architect (and significant expense on the part of the client for the architect's services). In addition, the deficiency request was received by the client on Wednesday, April 4. The architect's offices were closed on Friday, April 6 for the Easter holiday and for the remainder of the weekend. Moreover, the architect's office was asked to produce complete drawings for both the Historic Lofts of Waco High and the Washington Hotel Lofts at the same time, in response to TDHCA deficiencies. As a result, the complete drawings were not available and submitted to TDHCA until Friday, April 13, two days after the deadline of Wednesday, April 11. This two-day delay in submitting the drawings caused the client to incur a ten point penalty on the Project's application.

Point Deduction #3: Six Points for Pre-Application Incentive Points. Because of the deduction of points described above, the applicant's final score was more than 5% less than the pre-application score. As a result, the pre-application incentive points were eliminated.

Point Deduction #4: Seven Points for Letter of Support from State Representative. When the applicant initiated this Project, it met with city officials to discuss the proposal. City officials advised that the Project was located within State Representative Dunnam's district. The applicant then proceeded to discuss the Project with Representative Dunnam and received a letter of support from him. However, TDHCA did not award points for this letter of support because the Project is not within Representative Dunnam's district.

Points to Consider – Deduction #1

- All items to meet carryover were actually in place for Beaumont Downtown Lofts, prior to the original carryover deadline. The actual submittal was delayed because our client thought it would be more efficient to submit the carryover documentation for both projects simultaneously, and it was under the mistaken impression that carryover for Moore Grocery Lofts would be required in 2006.
- Our client was operating in Texas for the first time and wanted to insure that applicable guidelines and regulations were met. In trying to approach things logically and sequentially, it actually harmed itself inadvertently.
- Our client could have avoided this penalty by restructuring the ownership of the Project so that it would not be affiliated with Beaumont Downtown Lofts. However, rather than manipulating ownership, it acted in good faith to show the actual principals for the Project's application.

Points to Consider – Deduction #2

- The complexity of this type of project requires special consideration. For purposes of Section 49.9(h)(5) of the QAP, the Project is held to the same standards as a new construction project,

even though the product type is vastly different. Rehabilitation projects are treated differently for purposes of this Section of the QAP, but an adaptive reuse project is not considered "rehabilitation".

- The unit layouts for an adaptive reuse project are not exact, and it is unrealistic to expect or require the applicant to have the exact unit layout in place at the time of application. Until exploratory demolition can be performed, it is difficult for an architect to be able to give exact unit layouts. Despite the fact that there may be some change in the overall unit layout, the net rentable square footage will remain the same because the applicant is working within the finite space of an existing building.
- The applicant made a good faith effort to identify the anticipated unit layout in its initial presentation. It tried to present the proposed plan in a reasonable manner, without incurring burdensome architect expense and without being able to further explore the physical plant of a building it does not yet own.
- This type of Project serves a greater public purpose than a new affordable housing development on its own. The transaction offers a financially viable option to save an historic structure that is vital to the history of the community. This type of project also offers a greater economic stimulus for the area because of the location in a prime downtown redevelopment area.

Points to Consider – Deduction #3

- The purpose of the pre-application process is to give all applicants a reasonable look at the competition. Based on this initial impression, some applicants proceed with their applications and some do not. If an applicant is allowed to load up its application with an unrealistic score, it may discourage other applicants from continuing with the process. Thus, the six-point penalty was employed to give the applicants an incentive to submit accurate self-scores in their pre-applications.
- The deviation in our client's scoring results not from manipulation of the scoring criteria or grasping for points that are not attainable. Rather, the deviation results from the imposition of penalties by TDHCA. This kind of deviation should not result in the additional penalty of loss of pre-application points. Deducting the pre-application points in this instance does nothing to serve the intent of the penalty to promote fair competition.

Points to Consider – Deduction #4

- The letter of support from State Representative Dunnam was secured within TDHCA deadlines.
- The QAP states that "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." Representative Dunnam represents approximately half of Waco. Clearly, some of his constituents are potential residents in the Project. Moreover, his legislative district

is included in the market area identified by the market analyst. Thus, he represents constituents in areas that include the location of the Project.

- Once the applicant was informed that Representative Dunnam's district did not include the proposed Project, it contacted Representative Anderson, whose district includes the Project to inform him of the proposal. Representative Anderson has expressed his support for the Project, as well, and has orally committed to providing a letter of support to TDHCA.

Conclusion

We request that the Agency reconsider the point deductions to the application for the Historic Lofts of Waco High. This Project has far reaching public support and it exceeds the public policy guidelines set for the development of affordable housing. The penalties described above have no bearing on the overall need for and merit of the proposed Project or on the ability of the development team

If the Executive Director denies this appeal, the applicant requests to have it heard by the Board at the next available Board meeting. Thank you.

Sincerely,



Cynthia L. Bast

cc: Robbye Meyer
Audrey Martin

07192

Executive Director
Appeal Response



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

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Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

June 1, 2007

Mr. Hollis Fitch
Historic Lofts of Waco High, LTD
406 E. 4th St.
Winston-Salem, NC 27101
Telephone: (336) 714-8929
Facsimile: (336) 722-3603

Re: Appeal Received for Historic Lofts of Waco High – 07192

Dear Mr. Fitch:

Appeal Review

I have carefully reviewed the Application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 29, 2007 regarding point losses under §49.9(d)(4) of the 2007 Qualified Allocation Plan and Rules ("QAP"), Administrative Deficiencies; §49.9(i)(6) of the 2007 QAP, Support from State Elected Officials; §49.9(i)(13) of the 2007 QAP, Pre-Application Participation Incentive Points; and §49.9(i)(27)(A) of the 2007 QAP, Scoring Imposed Penalties.

§49.9(d)(4) of the 2007 QAP, Administrative Deficiencies

Points were deducted under this section because an item from the threshold review Deficiency Notice was received after 5:00 p.m. on the sixth day, but before 5:00 p.m. on the seventh day following the date of the Deficiency Notice. A Deficiency Notice was issued on April 4, 2007 and due by 5:00 p.m. on April 11, 2007 to avoid any point loss. Architectural plans for each unit type in the development were not received by the Department until April 13, 2007; therefore, the final score was reduced by ten points.

You have appealed this point reduction based on several assertions regarding the hardship involved in securing architectural plans for an adaptive reuse development: the proposed project contains forty different unit layouts; plans for so many different unit types take a significant amount of time to generate; unit plans that were representative of the units were submitted within the initial five-day deficiency response period even though the exact plans were not submitted until after the initial period; the deficiency response period included the Easter weekend and the

development architect's office was closed for part of the response period in observance of the holiday; and the Department issued Deficiency Notices for all three of the owner contacts' Applications at the same time, resulting in a large volume of work for the development architect.

The requirement for architectural plans is outlined in §49.9(h)(5)(iii) of the 2007 QAP; the QAP specifically requires "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." Furthermore, §49.9(h) of the 2007 QAP states that "Threshold Criteria listed in this subsection are mandatory requirements *at the time of Application submission...*" (*emphasis added*). Although providing forty different unit floor plans may be burdensome within a five-day Administrative Deficiency period, the requirement is clear in the QAP and must be fulfilled on at the time of Application submission, or March 1, 2007. Pursuant to §49.9(d) of the 2007 QAP Department staff required correction of information submitted in the Application; however, the architectural plans are explicitly required by the QAP, and were not required for the first time in the Deficiency Notice.

§49.9(i)(6) of the 2007 QAP, Support from State Elected Officials

Letters of support from State Senator Kip Averitt and State Representative Jim Dunnam were submitted for the development. Seven points were awarded for the letter from Senator Kip Averitt and zero points were awarded for the letter from State Representative Jim Dunnam. Zero points were awarded for the letter from State Representative Jim Dunnam because Representative Dunnam does not represent the district in which the development is located.

You have appealed the loss of points for the support letter from Representative Dunnam based on several assertions: Representative Dunnam's letter was received by the Department by the deadline required under §49.9(i)(6) of the 2007 QAP; City of Waco officials informed the Application that the development site is located within Representative Dunnam's district; Representative Dunnam's district includes half of the City of Waco and is included in the market area for the development; Representative Dunnam's constituents are potential residents of the development; and Representative Charles Anderson, the State Representative whose district includes the development site, has provided support for the development verbally.

§49.9(i)(6) of the 2007 QAP states that "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 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" (*emphasis added*). Department staff has reasonably interpreted "areas that include the location of the Development" to mean the State Senator or Representative district includes the Development. The letter from State Representative Jim Dunnam is ineligible for points under §49.9(i)(6) of the 2007 QAP because Representative Dunnam does not represent constituents in areas that include the location of the Development.

§49.9(i)(13) of the 2007 QAP, Pre-Application Participation Incentive Points

Pre-Application Incentive Points may be awarded to an Application if all requirements of §49.9(i)(13) of the 2007 QAP are fulfilled, including the requirement that the score for the Application is not 5% less than, or greater than, the final Pre-Application score. The final award of the Pre-Application was 159 points. In order to be awarded the full six points for participating in the Pre-Application process, the Application final score cannot be more than 5% less than the Pre-Application score (no less than 151 points). After point losses, the final Application score exceeded the 5% variance (144 points). Therefore Pre-Application Incentive Points were not awarded to the Application.

You have appealed the loss of these points based on several assertions: the purpose of the Pre-Application process is to allow Applicants to evaluate their competition at an early stage; the point incentive for participation in the Pre-Application process is intended to provide an incentive to participate without artificially inflating scores; the deviation in the score for this Application from Pre-Application to Application is a result of Department-imposed penalties, not an attempt by the Applicant to inflate the Pre-Application score; deducting penalty points from the Application caused the score deviation that resulted in the loss of Pre-Application Incentive Points; and deducting these points does not serve the intent of the penalty to promote fair competition.

§49.9(i)(13) of the 2007 QAP explicitly states that in order to be eligible for points under this section, “the Application must be awarded by the Department an Application score that is not more than 5% greater of less than the number of points awarded by the Department at Pre-Application.” The score awarded by the Department at Application was 9.4% lower than the score awarded by the Department at Pre-Application; therefore the Application is ineligible for these points.

§49.9(i)(27)(A) of the 2007 QAP, Scoring Imposed Penalties

Pursuant to §49.9(i)(27)(A) of the 2007 QAP, 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. For each extension request made, the Applicant will receive a five point deduction for not meeting the Carryover deadline. An extension of the Carryover deadline was requested and granted for Beaumont Downtown Lofts, 060202; therefore, a five point deduction was applied to the following: Landmark Asset Services, Inc., Sari & Company, Fitch Development Group, Inc., Lisa Sari, Jim Sari, DeWayne Anderson, Jr., Hollis Fitch, and Brannon Fitch (the “parties”). Each of the listed parties appears in the organizational structure of the Applicant, Historic Lofts of Waco High, Ltd. Therefore, the final score was reduced by five points.

You have appealed the imposition of these penalty points based on several assertions: the Carryover items for 060202 were all in the possession of the development owner, but were not submitted because of confusion over the Carryover deadline for another Application awarded Housing Tax Credits in 2006, 060201; the 2006 Application Round was the first time that the

Mr. Fitch
June 1, 2007
Page 4 of 4

parties participated in the Housing Tax Credit ("HTC") program in Texas; and rather than manipulating the ownership structure of the Applicant to avoid penalty points, the parties made a good faith effort to accurately represent the structure of the Applicant.

§49.9(i)(27)(A) of the 2007 explicitly states that "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... For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline." §49.3(6) defines Applicant as "any Person or Affiliate of a Person who files a Pre-Application or an Application with the Department requesting a Housing Credit Allocation." An extension request was made and granted for 060202, Beaumont Downtown Lofts. The organizational structure of the Applicant for Beaumont Downtown Lofts consists of the same Persons as the Applicant for the Historic Lofts of Waco High, Historic Lofts of Waco High, Ltd.; therefore, the five point penalty must be imposed. Additionally, these penalty points are required by §2306.6710(b)(2) of Texas Government Code; the Department does not have the authority to waive statutory penalties.

Appeal Determination

Your appeal is denied.

Pursuant to §49.17(b)(4) of the 2007 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 14, 2007 Board meeting. Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2006 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,



Michael Gerber
Executive Director

07192
Scoring Notice



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Historic Lofts of Waco High, LTD
 Hollis Fitch
 406 E. 4th St.
 Winston-Salem, NC 27101
 Phone #: (336) 714-8929
 Fax #: (336) 722-3603
 Email: hollis@landmarkdevelopment.biz

Date Issued: May 21, 2007

**THIS NOTICE WILL ONLY BE
 TRANSMITTED VIA EMAIL**

Second Email: devadmin@landmarkdevelopment.biz

**RE: 2007 Competitive Housing Tax Credit (HTC) Application for Historic Lofts of Waco High
 TDHCA Number: 07192**

Attention: Hollis Fitch

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §49.9(d)(1) of the 2007 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the four categories for which points could not be requested by the applicant: Quantifiable Community Participation ("QCP") §49.9(i)(2) of the 2007 QAP; letters of support or opposition from State Senators; §49.9(i)(6) letters of support or opposition from State Representatives; and §49.9(i)(16), letters of community support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §49.9(i)(5), or (25) of the 2007 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §49.9(i)(5) and (25) of the 2007 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §49.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban/Exurban Set Asides: USDA Non Profit At Risk

| | |
|--|------------|
| Score Requested by Applicant (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 159 |
| Score Requested as Calculated by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 159 |
| Score Awarded by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 138 |
| Difference between Requested and Awarded (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 21 |
| Points Awarded for §49.9(i)(2), Quantifiable Community Participation: | 24 |
| Points Awarded for §49.9(i)(6), Input from State Senator: | 7 |
| Points Awarded for §49.9(i)(6), Input from State Representative: | 0 |
| Points Awarded for §49.9(i)(16), Community Support Other than QCP: | 0 |
| Final Score Awarded to Application by Department: | 169 |



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Page 2 of Final Scoring Notice: 07192, Historic Lofts of Waco High

Explanation for Difference between Points Requested and Points Awarded by the Department (explanation does not include points for §§49.9(i)(2) and (6)):

§49.9(i)(27)(A) – Scoring Criteria Imposing Penalties: 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. For each extension request made, the Applicant will receive a 5 point deduction for not meeting the Carryover deadline. An extension of the Carryover deadline was requested and granted for Beaumont Downtown Lofts, 060202; therefore, a 5 point deduction was applied to the following: Landmark Asset Services, Inc., Sari & Company, Fitch Development Group, Inc., Lisa Sari, Jim Sari, DeWayne Anderson, Jr., Hollis Fitch, and Brannon Fitch. Each of the listed parties appears in the organizational structure of the Applicant, Historic Lofts of Waco High, Ltd. Therefore, the final score is reduced by 5 points. (Points Requested: 0, Points Awarded: -5)

§49.9(d)(4) – Administrative Deficiencies (Late Deficiency Penalty): A Deficiency Notice was issued on April 4, 2007 and due by 5:00 p.m. on April 11, 2007 to avoid any point loss. Architectural plans were not received by the Department until April 13, 2007. Therefore, the final score is reduced by 10 points. (Points Awarded: -10)

§49.9(i)(13) – Pre-Application Incentive Points: The final award of the Pre-Application was 159 points. In order to be awarded the full 6 points for participating in the Pre-Application process, the Application final score cannot be more than 5% less than the Pre-Application score (no less than 151 points). After point losses described above, the final Application score exceeded the 5% variance (144 points). The 6 points for Pre-Application are not awarded (Points Requested: 6, Points Awarded: 0). Therefore, the revised final score is 138 points.

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m., Tuesday, May 29, 2007. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department Board. THE DEPARTMENT STRONGLY SUGGESTS that you submit your appeal to the Executive Director no later than Friday, May 25, 2007 by 5:00 p.m. in order to allow an ED response to the appeal and any denied appeals to be added to the June 14, 2007 Board agenda. The restrictions and requirements relating to the appeals policy can be found in §49.17(b) of the 2007 QAP.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 14, 2007 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by 5:00 p.m. Tuesday, June 5, 2007. All appeals should be submitted to the attention of Audrey Martin.



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us on Tuesday, May 22, 2007 at 5:00 p.m. A list of the Applications approved by staff to be considered by the Department's Board will be available on the website no later than June 21, 2007. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Audrey Martin by facsimile (512) 475-0764 or (512) 475-1895 or email to audrey.martin@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 07192, Historic Lofts of Waco High

I am in receipt of my 2007 scoring notice and am filing a formal appeal to the Executive Director on or before May 29, 2007, although the Department recommends submission by May 25, 2007, for processing (attached).

If my appeal is denied by the Executive Director, I:

Do wish to appeal to the Board of Directors and request that my application be added to the June 14, 2007 Department Board of Directors meeting agenda. My appeal documentation which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2007 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed Bill Stauden

Title VP LABORATORY ASSET SERVICES, INC GP

Date MAY 25, 2007

Please fax or email to the attention of Audrey Martin:
Fax: (512) 475-0764 or (512) 475-1895
Email: audrey.martin@tdhca.state.tx.us

07192

State Representative
Support Letters

HOUSE OF REPRESENTATIVES

Handwritten initials



JIM DUNNAM
DISTRICT 57

CAPITOL OFFICE:
STATE CAPITOL, ROOM GN.11
POST OFFICE BOX 2910
AUSTIN, TEXAS 78768-2910
(512) 463-0508
FAX (512) 463-5934
JIM.DUNNAM@HOUSE.STATE.TX.US

DISTRICT OFFICE:
713 ELM STREET, SUITE 101
POST OFFICE BOX 1962
WACO, TEXAS 76703-1962
(254) 753-8546
TOLL FREE (866) 753-8546
FAX (254) 756-3197

March 22, 2006

Received

MAR 29 2007

Robby Myer
Multifamily Director
Texas Department of Housing and Community Affairs
P.O. box 13941
Austin, Texas 78701-2410

S

Dear Mr. Meyer:

The purpose of this letter is to express my support for the Historic Lofts of Waco High project, #07192. I have located my District Office in this historic area to enhance downtown revitalization, this development will significantly add to this effort. This development provides needed affordable housing for our city and preserves a local historic landmark.

As a State Representative I support any project that may influence the improvement of local communities. Historic Lofts of Waco High is an example of a project that would help improve the community. I have received support from the City Manager and members of the Waco City Council.

Thank you for your consideration of this application. If I may be of further assistance in the future, it would be my pleasure to help with anything you might need.

Sincerely,

Handwritten signature of Jim Dunnam
Jim Dunnam

cc:



TEXAS HOUSE OF REPRESENTATIVES
CHARLES "DOC" ANDERSON

STATE REPRESENTATIVE DISTRICT 56

COMMITTEES: AGRICULTURE & LIVESTOCK, VICE-CHAIR
FINANCIAL INSTITUTIONS • HOUSE ADMINISTRATION

Received

JUN - 4 2007

A handwritten signature in black ink, appearing to be "M.A.", written over a dotted line.

Robby Myer
Multifamily Director
Texas Department of Housing and Community Affairs
P.O. Box 13941
Austin, Texas 78701-2410

Dear Mr. Meyer,

I am pleased to express my support for the Historic Lofts of Waco High project, # 07192. My district office is about two blocks from the old Waco High and I am particularly interested in this potential addition and improvement to the downtown Waco neighborhood. This will help revitalize downtown and will provide needed affordable housing for our city.

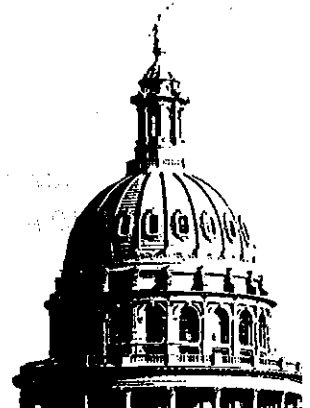
I believe that it is a very viable and important project and I wholeheartedly support it.

I will appreciate your positive consideration of this project and if I can be of any further assistance, please give me a call.

Sincerely,

A large, stylized handwritten signature in black ink that reads "Charles 'Doc' Anderson".

Charles "Doc" Anderson



07210

New Hope Housing at
Bray's Crossing

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 14, 2007

Action Item

Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit (“HTC”) Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

I. New Hope Housing at Bray’s Crossing - 07210

By March 1, 2007, the Department received a letter from the Super Neighborhood Council 64 & 88 (the “Super Neighborhood”) requesting that their letter be considered for points for Quantifiable Community Participation (“QCP”). QCP points, statutorily required under §2306.6710 Texas Government Code, are described in §49.9(i)(2) of the 2007 Qualified Allocation Plan and Rules (“QAP”), and are awarded for letters from qualified “neighborhood organizations” that meet the set of criteria outlined by §49.9(i)(2) of the 2007 QAP.

In our review, the letter was found to be ineligible and was awarded a score of 12. Note that scores 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. This Applicant is appealing the eligibility of the QCP letter submitted for the Application.

The letter was ineligible because a Legal Determination from the Department’s General Counsel dated May 3, 2007 (the “Determination”) ruled that the Super Neighborhoods are not “neighborhood organizations” pursuant to §49.9(i)(2)(A)(iv) of the 2007 QAP. Specifically, the ruling was made based on the facts that Houston Super Neighborhoods encompass large geographical areas, include groups other than those that meet the definition of “neighborhood organization,” and are therefore broader based community organizations that may qualify for points under §49.9(i)(16), not §49.9(i)(2) of the 2007 QAP.

The applicant is appealing the eligibility of the letter based on the applicant’s assertion that the Super Neighborhood does not represent a quadrant or large sector of the City of Houston, but rather 1.5% of the City’s population; the 2007 QAP does not give guidance regarding the size of a neighborhood; the Department has established a precedent of accepting QCP letters from Houston Super Neighborhoods for points in 2004 and 2005; and the Department should not depart from established precedent midway through the Application Round.

§49.9(i)(2)(A)(iv) of the 2007 QAP states that, “‘neighborhood organizations’ include homeowners associations, property owners associations, and resident councils” and “do not include broader based ‘community’ organizations.” §49.9(i)(2)(A)(iv) of the 2007 QAP further states, “Organizations whose boundaries include an entire city are generally not ‘neighborhood organizations’, unless the city organization is a parent organization of smaller organizations whose purpose, and composition would otherwise meet the requirements of this definition.” Super Neighborhood Council 64 & 88 is comprised of organizations that provide neighborhood representation, but also organizations other than homeowners associations, property owners associations, and resident councils, which may not meet the definition of “neighborhood organization.” Furthermore, the Super Neighborhood represents a large geographic area in the City of Houston. Based on the size of the area represented, and the membership of the Super Neighborhood, it appears that the organization is a broader based community organization; therefore, it is not eligible as a “neighborhood organization.”

Relevant documentation related to this appeal is provided behind the Board Action Request.

| | |
|-------------------------------|------------------------------|
| Applicant: | FDI-Houston SRO, LTD. |
| Site Location: | 6311 Gulf Freeway |
| City / County: | Houston / Harris County |
| Regional Allocation Category: | Urban / Exurban |
| Set-Aside: | None |
| Population Served: | General |
| Region: | 6 |
| Type of Development: | Acquisition / Rehabilitation |
| Units: | 149 |
| Credits Requested: | \$705,791 |

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

07210
Appeal
Documentation

COATS | ROSE

smarks@coatsrose.com

Direct Fax
(713) 890-3911

HOUSTON
AUSTIN
DALLAS
SAN ANTONIO
CLEARLAKE/GALVESTON CO.
NEW ORLEANS

May 18, 2007

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, Texas 78701

Re: New Hope Housing at Brays Crossing # 07210

Dear Mr. Gerber:

Please accept this letter as our appeal of the TDHCA's determination that the support letter submitted by Superneighborhood Council 64 & 88 is ineligible for Quantifiable Community Participation ("QCP") points. The TDHCA has consistently determined in past tax credit rounds that Houston superneighborhood councils are eligible for QCP points. Because the QAP's language is ambiguous on this point, we urge the TDHCA to follow its established precedent that the Houston superneighborhood councils comply with the QAP requirements.

1. TDHCA Has Consistently Awarded QCP Points To Superneighborhood Councils In The Past

In 2005, the TDHCA awarded QCP points based on a Houston superneighborhood council letter for application #05212. In 2004, TDHCA awarded QCP points based on a superneighborhood council letter for application #04268. In both cases, the superneighborhood councils were exactly like the Superneighborhood Council 64 & 88 that submitted a QCP letter for New Hope Housing at Brays Crossing in 2007.

2. The QAP Definition of "Neighborhood Organization" Is Ambiguous

THDCA cites a Legal Determination by its General Counsel to support its decision to deny QCP points for the superneighborhood council letter. The General Counsel's Legal Determination finds that the superneighborhood council is not a "neighborhood organization" because it represents a sector or quadrant of Houston rather than a neighborhood. This interpretation rests on the assumption that the geographic area covered by the superneighborhood council is simply too large to be considered a neighborhood. The Legal Determination states,

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A Professional Corporation

1717 W. 6th Street, Suite 370 Austin, Texas 78703

Phone: 512-469-7987 Fax: 512-469-9408

Web: www.coatsrose.com

"The limitation on not including the entire city indicates that the neighborhood organizations are to be compact and impact the area in which they represent directly."

A. Superneighborhood Council 64 & 88 Covers A Compact Geographic Area

The geographic area represented by Superneighborhood Council 64 & 88 covers 4.7 square miles, and the population covered by the superneighborhood council is approximately 28,000 people. The City of Houston had a population of 1,953,000 as of 2000, so the superneighborhood council represents 1.5% of the city's population. Moreover, there are 88 superneighborhoods in Houston. The superneighborhood council does not represent a quadrant or large sector of the city, but rather covers less than 2% of the land area and population of Houston. We have attached maps showing Houston's 88 superneighborhoods and a map of the Superneighborhood Council 64 & 88 neighborhood.

B. The QAP Is Ambiguous Regarding The Appropriate Size For A Neighborhood

The Quantifiable Community Participation provisions of the QAP do not define "neighborhood." The definition of "neighborhood organization" is "an organization of persons living near one another within the organizations defined boundaries in effect December 1, 2006 that contain the proposed Development site and that has a primary purpose of working to maintain or improve the general welfare of the neighborhood." Because "neighborhood" is not a defined term, we do not know how large of an area the QAP contemplates.

Because the QAP does not define the size of a "neighborhood," the TDHCA's Legal Determination in 2007 that a superneighborhood council covers too large of an area is not compelled by the language of the QAP. The General Counsel's Legal Determination relies heavily on one sentence in the QAP, "Organizations whose boundaries include an entire city are generally not neighborhood organizations, unless the city organization is a parent organization of smaller organizations whose purpose and composition would otherwise meet the requirements of this definition." This sentence does not apply to Houston superneighborhood councils because they do not have boundaries that include an entire city. The QAP is ambiguous regarding the appropriate size of a neighborhood, and this ambiguity should be resolved in the 2007 tax credit round in favor of the TDHCA's prior determinations that superneighborhood councils qualify for QCP points.

3. The TDHCA Should Not Change The Rules In The Middle Of A Tax Credit Round

Developers are familiar with TDCHA's past determinations that Houston's superneighborhood councils qualify for QCP points. In the 2005 tax credit round, the superneighborhood council letter for #05212 was the subject of an appeal to the board of the TDHCA, which awarded QCP points for the superneighborhood council letter.

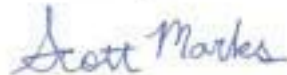
May 18, 2007

Page 3

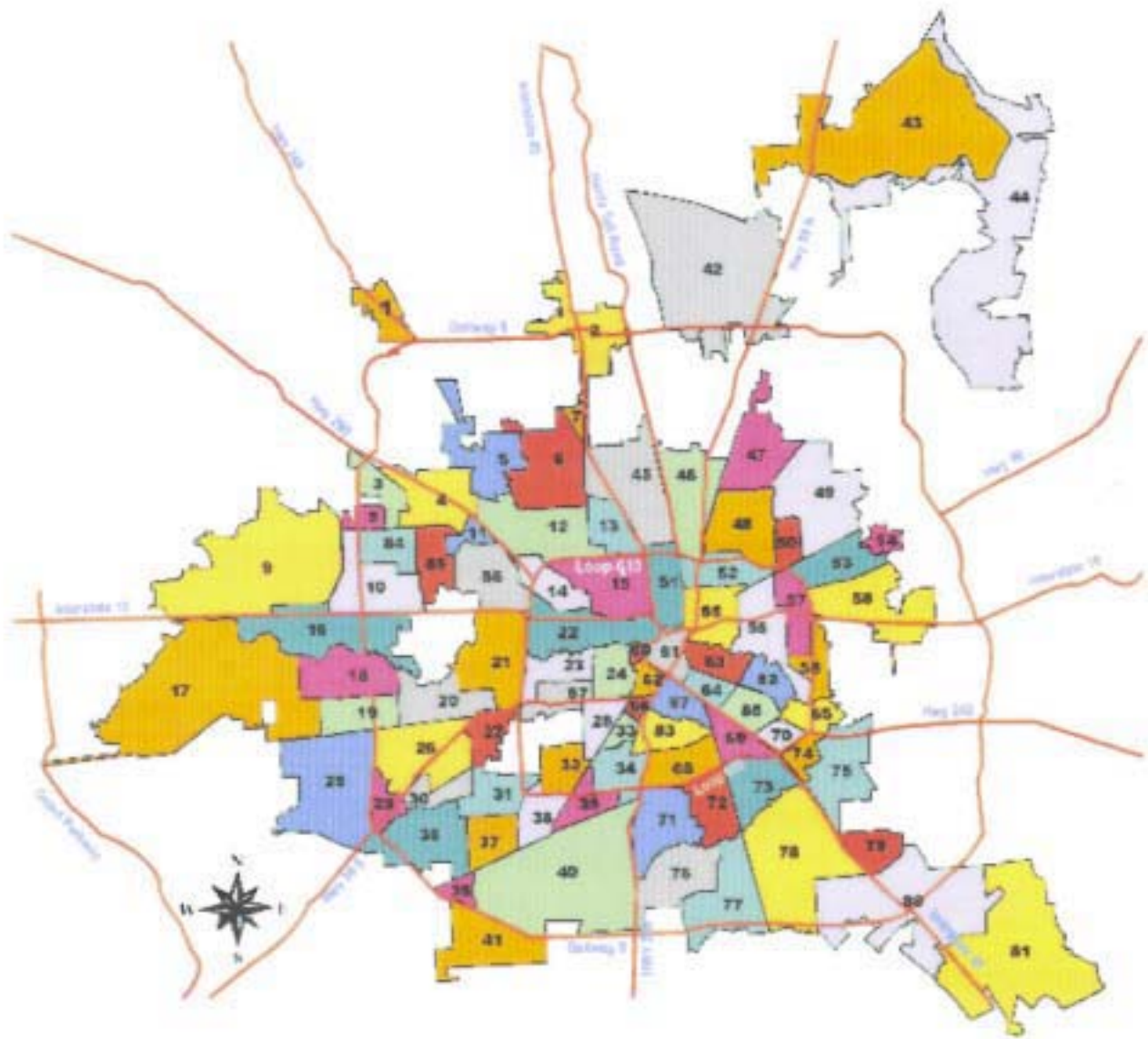
A sudden departure from the prior decisions by TDCHA regarding QCP points is unfair to the development community. The appropriate course of action is to follow the established precedent set by TDHCA #05212 and TDHCA #04268. If the TDHCA has now determined that superneighborhood councils should be ineligible for QCP points, the fair way to implement this new policy is to draft a 2008 QAP with clear language on this point. In the 2007 round, with an ambiguous definition of "neighborhood organization" in the QAP, TDHCA prior determinations that these organizations do qualify for QCP points should carry significant weight. The TDHCA should not change the rules "in the middle of the game."

If you have questions, please contact me or Ms. Joy Horak-Brown at (713) 222-0290.

Sincerely,

A handwritten signature in blue ink that reads "Scott Marks". The signature is written in a cursive style with a large initial "S".

Scott Marks







07210
Executive Director
Appeal Response



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

May 30, 2007

Ms. Joy Horak-Brown
FDI-Houston SRO, LTD.
16360 Park Ten Place, Ste. 301
Houston, TX 77084
Telephone: (281) 599-8684
Facsimile: (281) 599-8189

Re: Appeal Received for New Hope Housing at Bray's Crossing – 07210

Dear Ms. Horak-Brown:

Appeal Review

I have carefully reviewed the application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 18, 2007 regarding the eligibility of a letter from the Super Neighborhood Council 64 & 88 (the "Super Neighborhood") requesting that the letter be considered for points under §49.9(i)(2) of the 2007 Qualified Allocation Plan and Rules ("QAP"), Quantifiable Community Participation ("QCP").

The letter was ineligible because a Legal Determination from the Department's General Counsel dated May 3, 2007 (the "Determination") ruled that the Super Neighborhood is not a "neighborhood organization" pursuant to §49.9(i)(2)(A)(iv) of the 2007 QAP. Specifically, the ruling was made based on the facts that Houston Super Neighborhoods encompass large geographical areas, include groups other than those that meet the definition of "neighborhood organization," and are therefore broader based community organizations that may qualify for points under §49.9(i)(16), not §49.9(i)(2) of the 2007 QAP.

You appealed the eligibility of the letter by asserting several points: the Super Neighborhood does not represent a quadrant or large sector of the City of Houston, but rather 1.5% of the City's population; the 2007 QAP does not give guidance regarding the size of a neighborhood; the Department has established a precedent of accepting QCP letters from Houston Super Neighborhoods for points in 2004 and 2005; and the Department should not depart from established precedent midway through the Application Round.

Ms. Horak-Brown
May 30, 2007
Page 2 of 2

§49.9(i)(2)(A)(iv) of the 2007 QAP states that, “‘neighborhood organizations’ include homeowners associations, property owners associations, and resident councils” and “do not include broader based ‘community’ organizations.” §49.9(i)(2)(A)(iv) of the 2007 QAP further states, “Organizations whose boundaries include an entire city are generally not ‘neighborhood organizations’, unless the city organization is a parent organization of smaller organizations whose purpose, and composition would otherwise meet the requirements of this definition.” Super Neighborhood Council 64 & 88 is comprised of organizations that provide neighborhood representation, but also organizations other than homeowners associations, property owners associations, and resident councils, which may not meet the definition of “neighborhood organization.” Furthermore, the Super Neighborhood represents a large geographic area in the City of Houston. Based on the size of the area represented, and the membership of the Super Neighborhood, it appears that the organization is a broader based community organization; therefore, it is not eligible as a “neighborhood organization.”

As to your point regarding decisions made in 2004 and 2005, each year the Board crafts new rules in the form of a new QAP. Even when the exact language of the rule does not change, key changes in interpretation may have impact. While the Department’s goal is to be as consistent as possible and provide signposts to interested parties, where there is a fundamental disagreement with previous interpretations, there is room for and an obligation to change.

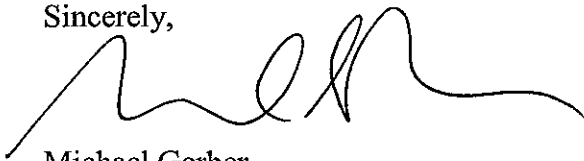
Appeal Determination

Your appeal is denied.

Pursuant to §49.17(b)(4) of the 2007 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 14, 2007 Board meeting. Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2006 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,

A handwritten signature in black ink, appearing to read 'Michael Gerber', written over a horizontal line.

Michael Gerber
Executive Director

07210
Scoring Notice



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

FDI-Houston SRO, LTD.
 Joy Horak-Brown
 16360 Park Ten Place, Ste. 301
 Houston, TX 77084
 Phone #: (281) 599-8684
 Fax #: (281) 599-8189
 Email: joy@newhopehousing.com

Date Issued: May 21, 2007

**THIS NOTICE WILL ONLY BE
 TRANSMITTED VIA EMAIL**

Second Email: mmf@bunkerhillassoc.com

RE: 2007 Competitive Housing Tax Credit (HTC) Application for New Hope Housing at Bray's Crossing
TDHCA Number: 07210

Attention: Joy Horak-Brown

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §49.9(d)(1) of the 2007 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the four categories for which points could not be requested by the applicant: Quantifiable Community Participation ("QCP") §49.9(i)(2) of the 2007 QAP; letters of support or opposition from State Senators; §49.9(i)(6) letters of support or opposition from State Representatives; and §49.9(i)(16), letters of community support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §49.9(i)(5), or (25) of the 2007 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §49.9(i)(5) and (25) of the 2007 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §49.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban/Exurban Set Asides: USDA Non Profit At Risk

| | |
|--|------------|
| Score Requested by Applicant (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 171 |
| Score Requested as Calculated by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 171 |
| Score Awarded by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 171 |
| Difference between Requested and Awarded (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 0 |
| Points Awarded for §49.9(i)(2), Quantifiable Community Participation: | 12 |
| Points Awarded for §49.9(i)(6), Input from State Senator: | 7 |
| Points Awarded for §49.9(i)(6), Input from State Representative: | 7 |
| Points Awarded for §49.9(i)(16), Community Support Other than QCP: | 4 |
| Final Score Awarded to Application by Department: | 201 |



**MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application**

Page 2 of Final Scoring Notice: 07210, New Hope Housing at Bray's Crossing

**Explanation for Difference between Points Requested and Points Awarded by the Department
(explanation does not include points for §§49.9(i)(2) and (6)):**

No variance in score from final applicant self-score to final awarded score.

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m., Tuesday, May 29, 2007. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department Board. THE DEPARTMENT STRONGLY SUGGESTS that you submit your appeal to the Executive Director no later than Friday, May 25, 2007 by 5:00 p.m. in order to allow an ED response to the appeal and any denied appeals to be added to the June 14, 2007 Board agenda. The restrictions and requirements relating to the appeals policy can be found in §49.17(b) of the 2007 QAP.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 14, 2007 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by 5:00 p.m. Tuesday, June 5, 2007. All appeals should be submitted to the attention of Audrey Martin.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us on Tuesday, May 22, 2007 at 5:00 p.m. A list of the Applications approved by staff to be considered by the Department's Board will be available on the website no later than June 21, 2007. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Audrey Martin by facsimile (512) 475-0764 or (512) 475-1895 or email to audrey.martin@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance



**MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application**

Appeal Election Form: 07210, New Hope Housing at Bray's Crossing

I am in receipt of my 2007 scoring notice and am filing a formal appeal to the Executive Director on or before May 29, 2007, although the Department recommends submission by May 25, 2007, for processing (attached).

If my appeal is denied by the Executive Director, I:

Do wish to appeal to the Board of Directors and request that my application be added to the June 14, 2007 Department Board of Directors meeting agenda. My appeal documentation which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2007 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed *Audrey Martin*
Title *Executive Director*
Date *05.21.07*

Please fax or email to the attention of Audrey Martin:

Fax: (512) 475-0764 or (512) 475-1895

Email: audrey.martin@tdhca.state.tx.us

07210
QCP Ineligibility
Determination Letter



Texas Department of Housing and Community Affairs
Multifamily Finance Production Division
2007 Quantifiable Community Participation

May 10, 2007

Primary Contact:

Contact Name: Steven E. Parker, President

Contact Phone: 713-626-2525

Contact Fax:

Contact E-Mail: superneighborhood64_88@mindspring.com

Second Contact:

Second Contact: Sister Margaret Bulmer

Second Phone: (713) 928-6053

Second Fax:

2nd E-Mail: mbulmer@CCVI-VDM.org

Re: Response from your Neighborhood Organization for Quantifiable Community Participation
New Hope Housing at Bray's Crossing, # 07210

Dear Steven E. Parker:

I am writing regarding the letter you submitted in response to the deficiency letter for the purpose of scoring Quantifiable Community Participation (QCP) points for the above-referenced application. Thank you for responding to the request.

The Texas Department of Housing and Community Affairs (the Department) has reviewed the letter and the additional documentation you submitted and compared it to the minimum requirements for the letter as required under the Qualified Allocation Plan and Rules (QAP) that govern the Housing Tax Credit Program this year. Unfortunately, in our review, one or more requirements still have not been satisfied as further described below.

A Deficiency Notice issued on April 17, 2007, and for which receipt was confirmed on April 18, 2007, requested additional certifications required by §49.9(i)(2) of the 2007 QAP, and evidence that the organization was on record with the county or state as of December 1, 2006. A response from the organization was received on April 23, 2007 and resolved all requested items.

The organization was found to be ineligible for points under §49.9(i)(2) of the 2007 QAP, despite the satisfactory response because the organization takes the responsibility for representing larger groups of people, or a "section" or "quadrant" of the city. Pursuant to §49.9(i)(2) of the 2007 QAP, "Points will be awarded based on written letters... from neighborhood organizations..." Pursuant to §49.9(i)(2)(A)(iv), "Neighborhood organizations' do not include broader based 'community' organizations... Organizations whose boundaries include an entire county or larger area are not 'neighborhood organizations', unless the large organization is a parent organization of smaller organizations whose purpose, and composition would otherwise meet the requirements of this definition. A Legal Determination from the Department's General Counsel dated May 3, 2007 confirms the ineligibility of the organization.



**Texas Department of Housing and Community Affairs
Multifamily Finance Production Division
2007 Quantifiable Community Participation**

Therefore, because the deficiency was not satisfied, the organization's letter will not be considered further for scoring. Please be assured that the Department values all public input and while the Department will be unable to assign points to the letter the Department will still record the input in the Application's file and provide the Board of the Department with a summary of the comment for their information and consideration.

Thank you again for your active involvement in our application process. If you have any questions, please do not hesitate to contact Audrey Martin at audrey.martin@tdhca.state.tx.us or by telephone at (512) 475-3872.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance Production

07210

Legal Determination

Dated May 3, 2007

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
LEGAL DETERMINATION

TO: **BROOKE BOSTON**
 ROBBY MEYER
 AUDREY MARTIN
 File

FROM: **KEVIN HAMBY**
 General Counsel

DATE: May 3, 2007

RE: **HOUSTON BASED SUPER NEIGHBORHOOD GROUPS STATUS UNDER §49.9(i)(2)**

QUESTION PRESENTED:

Do the City of Houston Super Neighborhood Groups count under §49.9(i)(2) for points?

SHORT ANSWER:

No, not based on information received.

FACTS:

Several of the Super Neighborhood Groups formed in the city of Houston have submitted QCP letters commenting on developments in Houston. A review of the organizational documents indicates that the City recognizes these groups and that they are made up of multiple groups and organizations, several of whom are not neighborhood associations, although some of the participants do appear to be neighborhood organizations.

LEGAL ANALYSIS:

The application of §49.9(i)(2) in the 2007 QAP addresses points for quantifiable community participation. In an effort to be broad based, and comply with the intent of §2306.6710(b)(1)(B), the Department has written a complex rule that covers almost two pages in the printed QAP.

The information submitted by several of the City of Houston Neighborhood groups demonstrates why this subject is difficult. On the surface, the groups seem to logically provide the type of community input the legislature was calling for. However, examining the statute and the rule as drafted together, it does not meet the final test as a valid neighborhood association.

As you know, the rule was intended to provide direct guidance on how to meet statutory intent. In the broadest form, this is a neighborhood organization (on record with the city) and it does contain the boundaries as required by the statute. However it does not meet the requirements imposed by the rules.

To help clarify two key phrases in the statute, the Department has identified reasonable limitations in the rulemaking process. Among these is the term "neighborhood organization." This undefined term has been defined in the rule as:

(iv) Certify that the organization is a "neighborhood organization." For the purposes of this section, a "neighborhood organization" is defined as an organization of persons living near one another within the organization's defined boundaries in effect December 1, 2006 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 resident councils** in which the council is commenting on the Rehabilitation or Reconstruction of 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", unless the large organization is a parent organization of smaller organizations whose purpose, and composition would otherwise meet the requirements of this definition. **Organizations whose boundaries include an entire city are generally not "neighborhood organizations", unless the city organization is a parent organization of smaller organizations whose purpose, and composition would otherwise meet the requirements of this definition. (emphasis added)**

Here, the Super Neighborhood has elements of the definition, but includes many other groups. The limitation on not including the entire city indicates that the neighborhood organizations are to be compact and impact the area in which they represent directly. In this case, the area represented is a broad section of the state's largest metropolitan area. Clearly that is not a discreet group, but a broader community interest. In addition, it appears from the submission that there are community groups who are voting members. In addition, each "association" gets a group vote in the Super Neighborhood Group.

The other key phrase in the statute is "whose boundaries contain the proposed development site." The QAP addresses this as:

(viii) The organization must accurately certify that the boundaries in effect December 1, 2006 include the proposed Development Site and acknowledge in the certification that annexations occurring after that time to include a Development site will not be considered eligible. **A Development site must be entirely contained within the boundaries of the organization** to satisfy eligibility for this item; a site that is only partially within the boundaries will not satisfy the requirement that the boundaries contain the proposed Development site. **(emphasis added)**

Read with the language in subsection (iv) above, it is clear that the intention here is that there be a limited and distinct area that the neighborhood group represents and not large sections or an entire city. Here, while the proposed site is within the boundaries chartered by the City, so are several other neighborhood groups. This does not appear to be the intent of the statute or the rule.

Further, to address the issue that several developments were unable to receive QCP points under §49.9(i)(2), the Department developed an alternative that provides some, but not all of the points available to groups that were community oriented but did not receive recognition as a neighborhood organization. In this section §49.9(i)(16) of the 2007 QAP says:

(16) Demonstration of Community Support other than Quantifiable Community Participation: If an Applicant requests these points on the self scoring form and correctly certifies to the Department that there are no neighborhood organizations that meet the Department's definition of Neighborhood Organization pursuant to §49.9(i)(2)(A)(iv) of this title and 12 points were awarded under paragraph (2) of this subsection, then that Applicant may receive two points for each letter of support submitted from a community or civic organization that serves the community in which the site is located. Letters of support must identify the specific Development and must state support of the specific Development at the proposed location. The community or civic organization must *provide some documentation of its existence in the community* to include, but not be limited to, listing of services and/or members, brochures, annual reports, etc. Letters of support from organizations that are not active in the area that includes the location of the Development will not be counted. For purposes of this item, community and civic organizations do not include neighborhood organizations, governmental entities, taxing entities or educational activities. Letters of support received after March 1, 2007, will not be accepted for this item. Two points will be awarded for each letter of support submitted in the Application, not to exceed 7 points. Should an Applicant elect this option and the Application receives letters in opposition by March 1, 2007, then two points will be subtracted from the score for each letter in opposition, provided that the letter is from an organization serving the community. At no time will the Application, however, receive a score lower than zero for this item.

It appears that these Super Neighborhood Groups have a broad based community interest that involves neighborhood representation (although not necessarily only neighborhood organizations), community groups and local merchants or other interested parties. Clearly, any letters received by the Department from a Super Neighborhood Group would qualify for these points, unless another neighborhood association found to be valid was recognized, which is a bar to these points.

ANSWER:

Based on the information supplied, the Houston Super Neighborhood Groups do not meet the requirements for points under §49.9(i)(2) as they are too large and are made up of other community associations and therefore fail to meet the Neighborhood Organization test. They do however, qualify for §49.9(i)(16) of the 2007 QAP.

07291

Cypress Creek at
Reed Road

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 14, 2007

Action Item

Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit (“HTC”) Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

I. Cypress Creek at Reed Road – 07291

By March 1, 2007, the Department received a letter from the Sunnyside/ South Acres/ Crestmont Park Super Neighborhood (the “Super Neighborhood”) requesting that their letter be considered for points for Quantifiable Community Participation (“QCP”). QCP points, statutorily required under §2306.6710 Texas Government Code, are described in §49.9(i)(2) of the 2007 Qualified Allocation Plan and Rules (“QAP”), and are awarded for letters from qualified “neighborhood organizations” that meet the set of criteria outlined by §49.9(i)(2) of the 2007 QAP.

In our review, the letter was found to be ineligible and was awarded a score of 12. Note that scores 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. This Applicant is appealing the eligibility of the QCP letter submitted for the Application.

The letter was ineligible because a Legal Determination from the Department’s General Counsel dated May 3, 2007 (the “Determination”) ruled that the Super Neighborhoods are not “neighborhood organizations” pursuant to §49.9(i)(2)(A)(iv) of the 2007 QAP. Specifically, the ruling was made based on the facts that Houston Super Neighborhoods encompass large geographical areas, include groups other than those that meet the definition of “neighborhood organization,” and are therefore broader based community organizations that may qualify for points under §49.9(i)(16), not §49.9(i)(2) of the 2007 QAP.

The applicant is appealing the eligibility of the letter based on the applicant’s assertion that the Super Neighborhood does not represent a quadrant or large sector of the City of Houston, but rather 2% of the City’s population; the 2007 QAP does not give guidance regarding the size of a neighborhood; the Department has established a precedent of accepting QCP letters from Houston Super Neighborhoods for points in 2004 and 2005; and the Department should not depart from established precedent midway through the Application Round.

§49.9(i)(2)(A)(iv) of the 2007 QAP states that, “‘neighborhood organizations’ include homeowners associations, property owners associations, and resident councils” and “do not include broader based ‘community’ organizations.” §49.9(i)(2)(A)(iv) of the 2007 QAP further states, “Organizations whose boundaries include an entire city are generally not ‘neighborhood organizations’, unless the city organization is a parent organization of smaller organizations whose purpose, and composition would otherwise meet the requirements of this definition.” Sunnyside / South Acres / Crestmont Park Super Neighborhood is comprised of organizations that provide neighborhood representation, but also organizations other than homeowners associations, property owners associations, and resident councils, which may not meet the definition of “neighborhood organization.” Furthermore, the Super Neighborhood represents a large geographic area in the City of Houston. Based on the size of the area represented, and the membership of the Super Neighborhood, it appears that the organization is a broader based community organization; therefore, it is not eligible as a “neighborhood organization.” .

Relevant documentation related to this appeal is provided behind the Board Action Request.

| | |
|-------------------------------|--------------------------------|
| Applicant: | Cypress Creek Reed Road L.P. |
| Site Location: | Approx. 2900 Block of Reed Rd. |
| City / County: | Houston / Harris County |
| Regional Allocation Category: | Urban / Exurban |
| Set-Aside: | None |
| Population Served: | General |
| Region: | 6 |
| Type of Development: | New Construction |
| Units: | 132 |
| Credits Requested: | \$1,200,000 |

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

07291
Appeal
Documentation

COATS | ROSE

WILLIAM D. WALTER, JR.
wwalter@coatsrose.com
(512) 469-7987, ext. 8447
Direct Fax
(713) 890-3954

HOUSTON
AUSTIN
DALLAS
SAN ANTONIO
CLEARLAKE/GALVESTON CO.
NEW ORLEANS

May 17, 2007

Via Email

Mr. Michael Gerber, Executive Director
Texas Department of Housing
and Community Affairs
221 East 11th Street
Austin, Texas 78701

RE: Cypress Creek at Reed Road Apartments – (TDHCA# 07291);
Appeal of Denial of Quantifiable Community Participation

Dear Mr. Gerber:

This letter appeals the decision by the Texas Department of Housing and Community Affairs (“TDHCA”) to not recognize, for Quantifiable Community Participation scoring purposes, the support letter submitted by SUNNYSIDE / SOUTH ACRES / CRESTMONT PARK SUPER NEIGHBORHOODS (“SSCSN”). Cypress Creek Reed Road LP (the “Applicant”) raises the following points of appeal:

1. SSCSN Meets the Definition of a Neighborhood Organization.

TDHCA discounts the letter provided by SSCSN based upon the notion that SSCSN fails to meet the definition of a neighborhood organization. As support for that view, TDHCA cites a legal determination dated May 3, 2007 (the “Determination”) from TDHCA’s general counsel that examines the issue of the eligibility of SNG support for quantifiable community participation points under § 49.9(i)(2) of the 2007 QAP. The Determination finds that Super Neighborhood Group (“SNG”) support is ineligible for points. Based upon the plain language of the QAP and the prior recognition by the Department of SNGs as eligible for these points, we strongly disagree with the conclusion of the Determination.

It appears that the central tenet of the Determination in reaching its determination of scoring ineligibility is that a SNG serves too large of an area to be considered a neighborhood organization. While discussed in the Determination in terms of two phrases from the QAP, the basic idea is that because an SNG serves too large an area in the Department’s view, this service area elevates the SNG from a neighborhood organization to a community organization. In

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support of its arguments, the Determination cites provisions of § 49.9(i)(2) that state that organizations whose boundaries include an entire city are generally not neighborhood organizations unless the constituent members of the organization meet the neighborhood organization requirement. The Determination further asserts that the area represented by an SNG is "a broad section of the state's largest metropolitan area" and infers that somehow this representation runs contrary to statutory intent defining a neighborhood organization.

The problem with reliance on this rationale is that SSCSN does not serve the entire city of Houston, or even a statutorily-inferred, Department-defined impermissible portion of one. As shown on the attached map, the City of Houston is divided into 88 separate Super Neighborhoods which, in accordance with the definition of neighborhood organization, each has the purpose of working to maintain or improve the general welfare of the neighborhood that it represents. According to the statistics maintained by the City of Houston at http://www.houstontx.gov/planning/suprnghds/recognized_sn.htm, SSCSN serves a 13.1 square mile area which contains roughly 2% of the population of the City of Houston. Maps of the specific area covered by SSCSN are also attached.

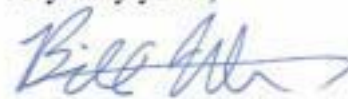
Quite simply, SSCSN meets the requirements of a neighborhood organization whose boundaries contain the proposed development site as defined under the QAP, and to impose other vaguely defined criteria outside the bounds of the QAP rules would be an improper use of the TDHCA's discretion and authority. If the TDHCA adheres to the Determination, and refuses these points, an applicant will never be certain that support from a neighborhood organization that serves some area less than an entire city is eligible for the points, because the TDHCA through its extra-QAP criteria could still find that the group is a community organization.

2. **TDHCA Action Contrary to Prior TDHCA Precedent.**

On at least two prior occasions, the TDHCA's Board considered appeals specifically related to the eligibility of SSCSN for quantifiable community participation points, and on both occasions upheld SSCSN as eligible for points under § 49.9(i)(2). For your reference, the appeals were related to project #04268 and project #05212. Bonner Carrington LP sponsored the application for the latter prevailing appeal, and based on that precedent, had no reason to believe that the TDHCA would shift its position in mid-stream during this application cycle. In fairness to the pending application, a change in the TDHCA's requirements should be more appropriately implemented through the 2008 QAP.

Thank you very much for your consideration of these items.

Very truly yours,



William D. Walter, Jr.

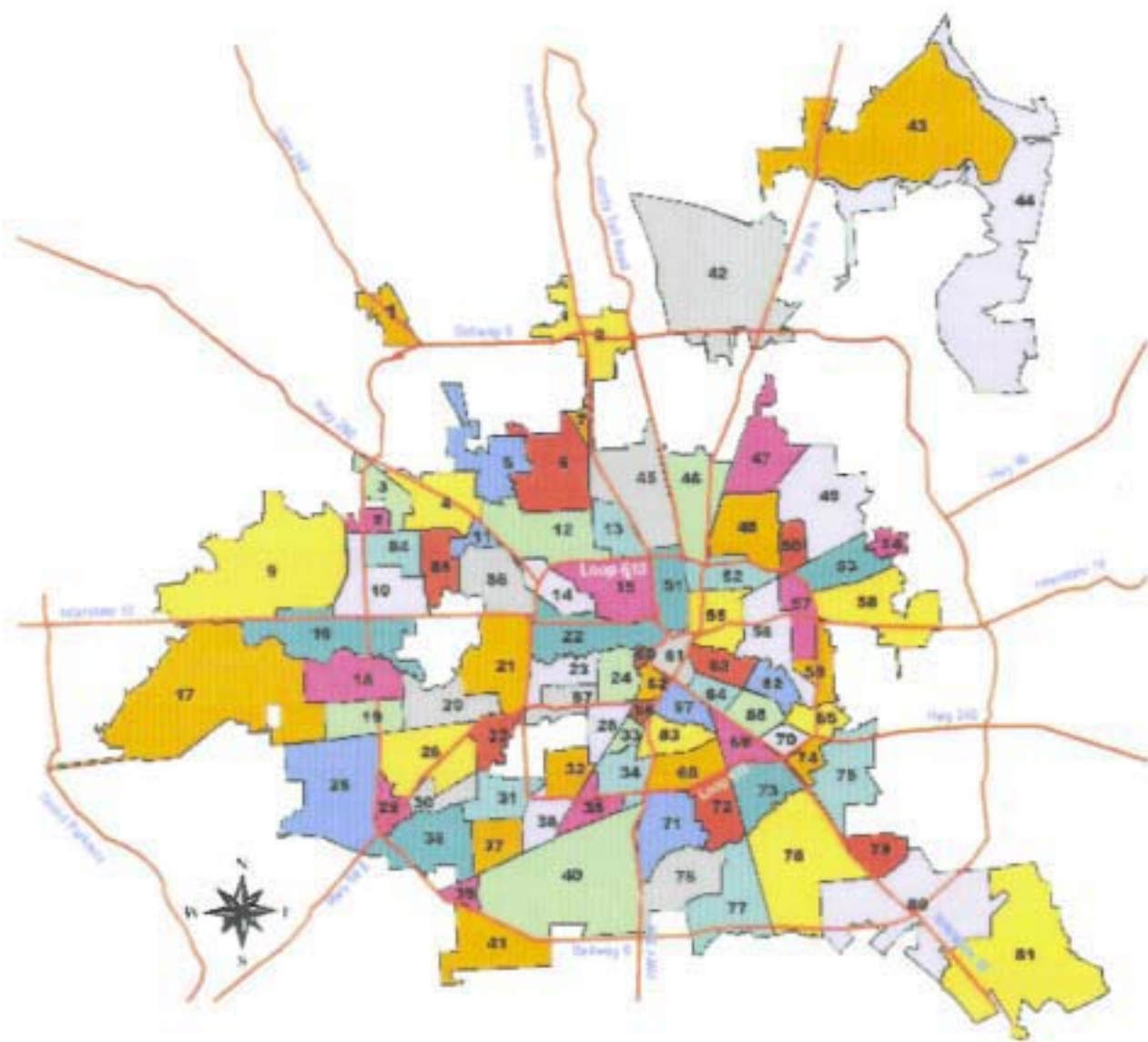
May 17, 2007

Page 3

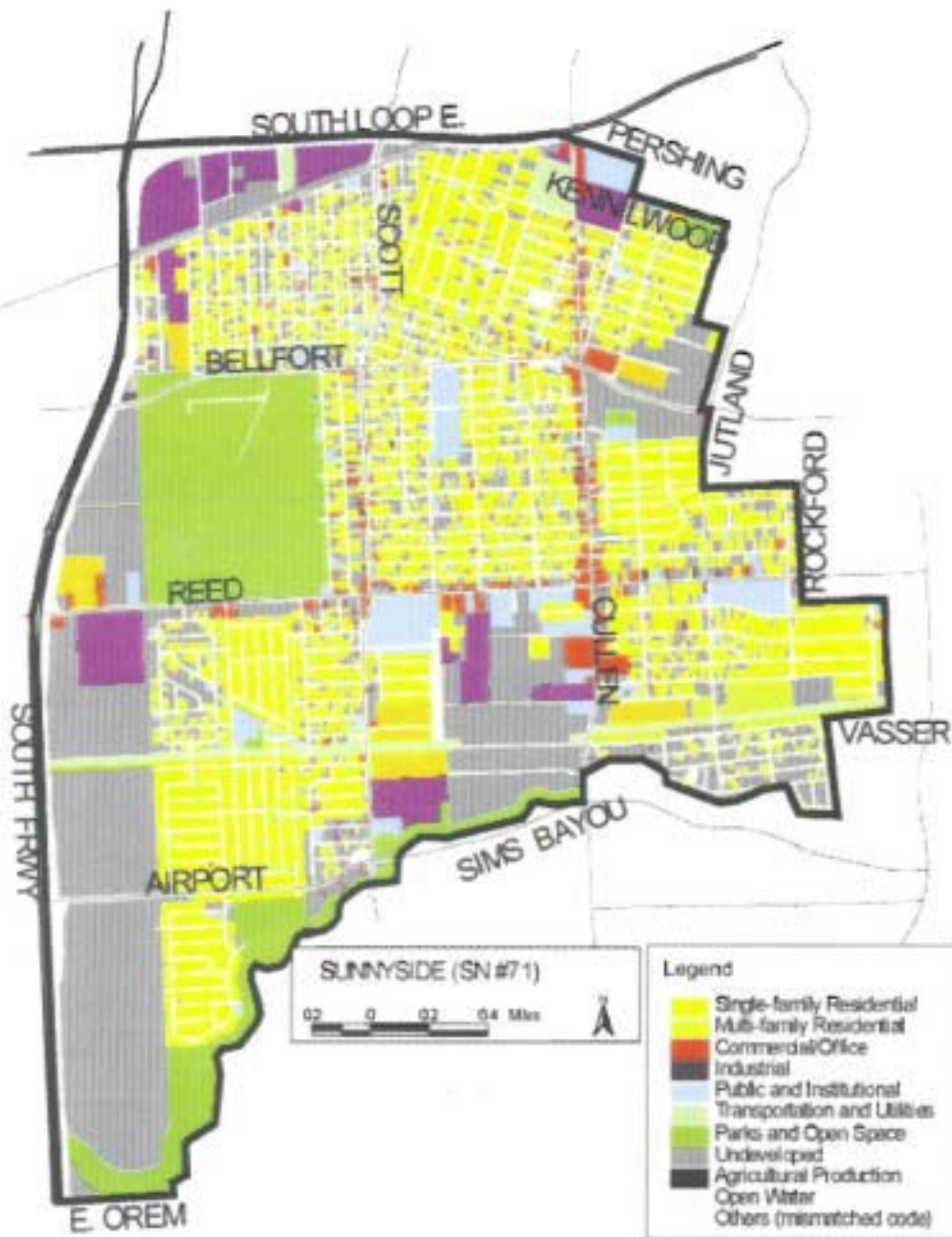
Enclosures

cc: Ms. Robbye Meyer, Director, Multifamily Finance Production Division
Ms. Audrey Martin
Mr. Stuart Shaw
Mr. L. E. Chamberlain
Mr. Barry Palmer

**MAP OF HOUSTON
SUPER NEIGHBORHOODS**

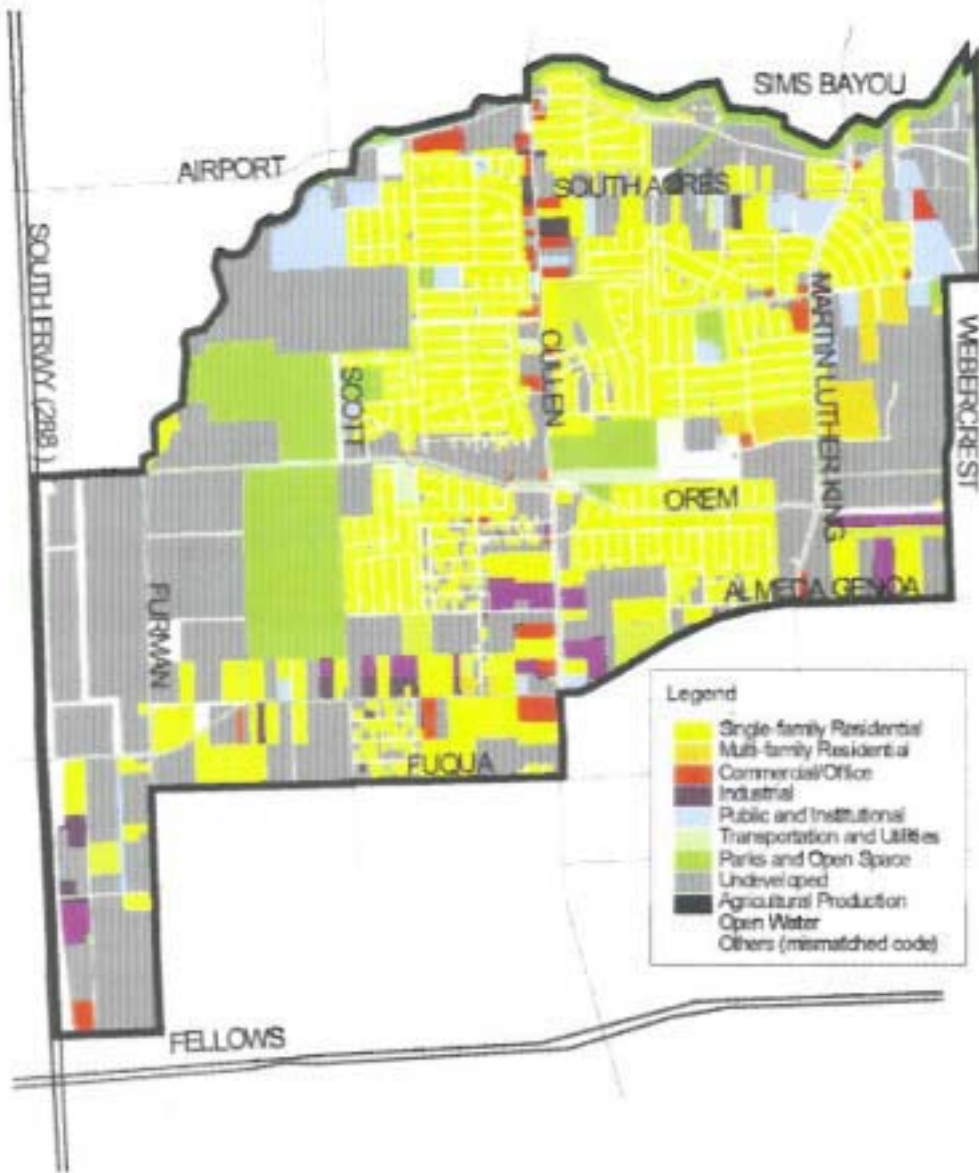


**MAP OF AREA
SERVED BY SSCSN**



SOUTH ACRES/CRESTMONT PARK (SN #76)

0.2 0 0.2 0.4 0.6 0.8 Miles



Legend

- Single-family Residential
- Multi-family Residential
- Commercial/Office
- Industrial
- Public and Institutional
- Transportation and Utilities
- Parks and Open Space
- Undeveloped
- Agricultural Production
- Open Water
- Others (mismatched code)

07291

Executive Director
Appeal Response



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

May 30, 2007

Mr. Stuart Shaw
Cypress Creek Reed Road L.P.
P.O. Box 2217
Austin, TX 78768
Telephone: (512) 220-8000
Facsimile: (512) 329-9002

Re: Appeal Received for Cypress Creek at Reed Road – 07291

Dear Mr. Shaw:

Appeal Review

I have carefully reviewed the application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 17, 2007 regarding the eligibility of a letter from the Sunnyside / South Acres / Crestmont Park Super Neighborhood (the "Super Neighborhood") requesting that the letter be considered for points under §49.9(i)(2) of the 2007 Qualified Allocation Plan and Rules ("QAP"), Quantifiable Community Participation ("QCP").

The letter was ineligible because a Legal Determination from the Department's General Counsel dated May 3, 2007 (the "Determination") ruled that the Super Neighborhood is not a "neighborhood organization" pursuant to §49.9(i)(2)(A)(iv) of the 2007 QAP. Specifically, the ruling was made based on the facts that Houston Super Neighborhoods encompass large geographical areas, include groups other than those that meet the definition of "neighborhood organization," and are therefore broader based community organizations that may qualify for points under §49.9(i)(16), not §49.9(i)(2) of the 2007 QAP.

You appealed the eligibility of the letter by asserting several points: the Super Neighborhood does not represent a quadrant or large sector of the City of Houston, but rather 2% of the City's population; the 2007 QAP does not give guidance regarding the size of a neighborhood; the Department has established a precedent of accepting QCP letters from Houston Super Neighborhoods for points in 2004 and 2005; and the Department should not depart from established precedent midway through the Application Round.

Mr. Shaw
May 30, 2007
Page 2 of 2

§49.9(i)(2)(A)(iv) of the 2007 QAP states that, “neighborhood organizations’ include homeowners associations, property owners associations, and resident councils” and “do not include broader based ‘community’ organizations.” §49.9(i)(2)(A)(iv) of the 2007 QAP further states, “Organizations whose boundaries include an entire city are generally not ‘neighborhood organizations’, unless the city organization is a parent organization of smaller organizations whose purpose, and composition would otherwise meet the requirements of this definition.” Sunnyside / South Acres / Crestmont Park Super Neighborhood is comprised of organizations that provide neighborhood representation, but also organizations other than homeowners associations, property owners associations, and resident councils, which may not meet the definition of “neighborhood organization.” Furthermore, the Super Neighborhood represents a large geographic area in the City of Houston. Based on the size of the area represented, and the membership of the Super Neighborhood, it appears that the organization is a broader based community organization; therefore, it is not eligible as a “neighborhood organization.”

As to your point regarding decisions made in 2004 and 2005, each year the Board crafts new rules in the form of a new QAP. Even when the exact language of the rule does not change, key changes in interpretation may have impact. While the Department’s goal is to be as consistent as possible and provide signposts to interested parties, where there is a fundamental disagreement with previous interpretations, there is room for and an obligation to change.

Appeal Determination

Your appeal is denied.

Pursuant to §49.17(b)(4) of the 2007 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 14, 2007 Board meeting. Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2006 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,



Michael Gerber
Executive Director

07291
Scoring Notice



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Cypress Creek Reed Road L.P.

Date Issued: May 21, 2007

Stuart Shaw

**THIS NOTICE WILL ONLY BE
TRANSMITTED VIA EMAIL**

P.O. Box 2217

Austin, TX 78768

Phone #: (512) 220-8000

Fax #: (512) 329-9002

Email: stuart@bonnecarrington.com

Second Email: jspicer@statestreethousing.com

RE: 2007 Competitive Housing Tax Credit (HTC) Application for Cypress Creek at Reed Road
TDHCA Number: 07291

Attention: Stuart Shaw

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §49.9(d)(1) of the 2007 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the four categories for which points could not be requested by the applicant: Quantifiable Community Participation ("QCP") §49.9(i)(2) of the 2007 QAP; letters of support or opposition from State Senators; §49.9(i)(6) letters of support or opposition from State Representatives; and §49.9(i)(16), letters of community support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §49.9(i)(5), or (25) of the 2007 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §49.9(i)(5) and (25) of the 2007 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §49.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Urban/Exurban Set Asides: USDA Non Profit At Risk

| | |
|--|------------|
| Score Requested by Applicant (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 156 |
| Score Requested as Calculated by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 156 |
| Score Awarded by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 156 |
| Difference between Requested and Awarded (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 0 |
| Points Awarded for §49.9(i)(2), Quantifiable Community Participation: | 12 |
| Points Awarded for §49.9(i)(6), Input from State Senator: | 7 |
| Points Awarded for §49.9(i)(6), Input from State Representative: | 7 |
| Points Awarded for §49.9(i)(16), Community Support Other than QCP: | 4 |
| Final Score Awarded to Application by Department: | 186 |



**MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application**

Page 2 of Final Scoring Notice: 07291, Cypress Creek at Reed Road

**Explanation for Difference between Points Requested and Points Awarded by the Department
(explanation does not include points for §§49.9(i)(2) and (6)):**

No variance in score from final applicant self-score to final awarded score.

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m., Tuesday, May 29, 2007. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department Board. THE DEPARTMENT STRONGLY SUGGESTS that you submit your appeal to the Executive Director no later than Friday, May 25, 2007 by 5:00 p.m. in order to allow an ED response to the appeal and any denied appeals to be added to the June 14, 2007 Board agenda. The restrictions and requirements relating to the appeals policy can be found in §49.17(b) of the 2007 QAP.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 14, 2007 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by 5:00 p.m. Tuesday, June 5, 2007. All appeals should be submitted to the attention of Audrey Martin.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us on Tuesday, May 22, 2007 at 5:00 p.m. A list of the Applications approved by staff to be considered by the Department's Board will be available on the website no later than June 21, 2007. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Audrey Martin by facsimile (512) 475-0764 or (512) 475-1895 or email to audrey.martin@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 07291, Cypress Creek at Reed Road

I am in receipt of my 2007 scoring notice and am filing a formal appeal to the Executive Director on or before May 29, 2007, although the Department recommends submission by May 25, 2007, for processing (attached).

If my appeal is denied by the Executive Director, I:

Do wish to appeal to the Board of Directors and request that my application be added to the June 14, 2007 Department Board of Directors meeting agenda. My appeal documentation which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2007 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed 

Title Applicant's Representative

Date May 21, 2007

Please fax or email to the attention of Audrey Martin:
Fax: (512) 475-0764 or (512) 475-1895
Email: audrey.martin@tdhca.state.tx.us

07291
QCP Ineligibility
Determination Letter



Texas Department of Housing and Community Affairs
Multifamily Finance Production Division
2007 Quantifiable Community Participation

May 10, 2007

Primary Contact:

Contact Name: L.E. Chamberlin, President

Contact Phone: 713-732-5130

Contact Fax: (713) 732-5134

Contact E-Mail: lechamp1@aol.com

Second Contact:

Second Contact: Margaret Jenkins

Second Phone: (713) 738-7128

Second Fax:

2nd E-Mail:

Re: Response from your Neighborhood Organization for Quantifiable Community Participation
Cypress Creek at Reed Road, # 07291

Dear L.E. Chamberlin:

I am writing regarding the letter you submitted in response to the deficiency letter for the purpose of scoring Quantifiable Community Participation (QCP) points for the above-referenced application. Thank you for responding to the request.

The Texas Department of Housing and Community Affairs (the Department) has reviewed the letter and the additional documentation you submitted and compared it to the minimum requirements for the letter as required under the Qualified Allocation Plan and Rules (QAP) that govern the Housing Tax Credit Program this year. Unfortunately, in our review, one or more requirements still have not been satisfied as further described below.

A Deficiency Notice issued, and for which receipt was confirmed, on March 30, 2007, requested evidence that the organization was a qualified neighborhood organization pursuant to §49.9(i)(2) of the 2007 Qualified Allocation Plan and Rules ("QAP"), additional certifications required by §49.9(i)(2) of the 2007 QAP, and additional contact information. A response from the organization was received on April 10, 2007; however, the organization was found to be ineligible for points under §49.9(i)(2) of the 2007 QAP because, according to the organization's bylaws, the organization is not comprised of persons living near one another, but rather is comprised of businesses, civic groups, etc. Pursuant to §49.9(i)(2) of the 2007 QAP, "Points will be awarded based on written letters... from neighborhood organizations..." Pursuant to §49.9(i)(2)(A)(iv), "a 'neighborhood organization' is defined as an organization of persons living near one another within the organization's defined boundaries..." A Legal Determination from the Department's General Counsel dated May 3, 2007 confirms the ineligibility of the organization.



**Texas Department of Housing and Community Affairs
Multifamily Finance Production Division
2007 Quantifiable Community Participation**

Therefore, because the deficiency was not satisfied, the organization's letter will not be considered further for scoring. Please be assured that the Department values all public input and while the Department will be unable to assign points to the letter the Department will still record the input in the Application's file and provide the Board of the Department with a summary of the comment for their information and consideration.

Thank you again for your active involvement in our application process. If you have any questions, please do not hesitate to contact Audrey Martin at audrey.martin@tdhca.state.tx.us or by telephone at (512) 475-3872.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance Production

07291

Legal Determination

Dated May 3, 2007

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
LEGAL DETERMINATION

TO: **BROOKE BOSTON**
 ROBBY MEYER
 AUDREY MARTIN
 File

FROM: **KEVIN HAMBY**
 General Counsel

DATE: May 3, 2007

RE: **HOUSTON BASED SUPER NEIGHBORHOOD GROUPS STATUS UNDER §49.9(i)(2)**

QUESTION PRESENTED:

Do the City of Houston Super Neighborhood Groups count under §49.9(i)(2) for points?

SHORT ANSWER:

No, not based on information received.

FACTS:

Several of the Super Neighborhood Groups formed in the city of Houston have submitted QCP letters commenting on developments in Houston. A review of the organizational documents indicates that the City recognizes these groups and that they are made up of multiple groups and organizations, several of whom are not neighborhood associations, although some of the participants do appear to be neighborhood organizations.

LEGAL ANALYSIS:

The application of §49.9(i)(2) in the 2007 QAP addresses points for quantifiable community participation. In an effort to be broad based, and comply with the intent of §2306.6710(b)(1)(B), the Department has written a complex rule that covers almost two pages in the printed QAP.

The information submitted by several of the City of Houston Neighborhood groups demonstrates why this subject is difficult. On the surface, the groups seem to logically provide the type of community input the legislature was calling for. However, examining the statute and the rule as drafted together, it does not meet the final test as a valid neighborhood association.

As you know, the rule was intended to provide direct guidance on how to meet statutory intent. In the broadest form, this is a neighborhood organization (on record with the city) and it does contain the boundaries as required by the statute. However it does not meet the requirements imposed by the rules.

To help clarify two key phrases in the statute, the Department has identified reasonable limitations in the rulemaking process. Among these is the term "neighborhood organization." This undefined term has been defined in the rule as:

(iv) Certify that the organization is a "neighborhood organization." For the purposes of this section, a "neighborhood organization" is defined as an organization of persons living near one another within the organization's defined boundaries in effect December 1, 2006 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 resident councils** in which the council is commenting on the Rehabilitation or Reconstruction of 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", unless the large organization is a parent organization of smaller organizations whose purpose, and composition would otherwise meet the requirements of this definition. **Organizations whose boundaries include an entire city are generally not "neighborhood organizations", unless the city organization is a parent organization of smaller organizations whose purpose, and composition would otherwise meet the requirements of this definition. (emphasis added)**

Here, the Super Neighborhood has elements of the definition, but includes many other groups. The limitation on not including the entire city indicates that the neighborhood organizations are to be compact and impact the area in which they represent directly. In this case, the area represented is a broad section of the state's largest metropolitan area. Clearly that is not a discreet group, but a broader community interest. In addition, it appears from the submission that there are community groups who are voting members. In addition, each "association" gets a group vote in the Super Neighborhood Group.

The other key phrase in the statute is "whose boundaries contain the proposed development site." The QAP addresses this as:

(viii) The organization must accurately certify that the boundaries in effect December 1, 2006 include the proposed Development Site and acknowledge in the certification that annexations occurring after that time to include a Development site will not be considered eligible. **A Development site must be entirely contained within the boundaries of the organization** to satisfy eligibility for this item; a site that is only partially within the boundaries will not satisfy the requirement that the boundaries contain the proposed Development site. **(emphasis added)**

Read with the language in subsection (iv) above, it is clear that the intention here is that there be a limited and distinct area that the neighborhood group represents and not large sections or an entire city. Here, while the proposed site is within the boundaries chartered by the City, so are several other neighborhood groups. This does not appear to be the intent of the statute or the rule.

Further, to address the issue that several developments were unable to receive QCP points under §49.9(i)(2), the Department developed an alternative that provides some, but not all of the points available to groups that were community oriented but did not receive recognition as a neighborhood organization. In this section §49.9(i)(16) of the 2007 QAP says:

(16) Demonstration of Community Support other than Quantifiable Community Participation: If an Applicant requests these points on the self scoring form and correctly certifies to the Department that there are no neighborhood organizations that meet the Department's definition of Neighborhood Organization pursuant to §49.9(i)(2)(A)(iv) of this title and 12 points were awarded under paragraph (2) of this subsection, then that Applicant may receive two points for each letter of support submitted from a community or civic organization that serves the community in which the site is located. Letters of support must identify the specific Development and must state support of the specific Development at the proposed location. The community or civic organization must *provide some documentation of its existence in the community* to include, but not be limited to, listing of services and/or members, brochures, annual reports, etc. Letters of support from organizations that are not active in the area that includes the location of the Development will not be counted. For purposes of this item, community and civic organizations do not include neighborhood organizations, governmental entities, taxing entities or educational activities. Letters of support received after March 1, 2007, will not be accepted for this item. Two points will be awarded for each letter of support submitted in the Application, not to exceed 7 points. Should an Applicant elect this option and the Application receives letters in opposition by March 1, 2007, then two points will be subtracted from the score for each letter in opposition, provided that the letter is from an organization serving the community. At no time will the Application, however, receive a score lower than zero for this item.

It appears that these Super Neighborhood Groups have a broad based community interest that involves neighborhood representation (although not necessarily only neighborhood organizations), community groups and local merchants or other interested parties. Clearly, any letters received by the Department from a Super Neighborhood Group would qualify for these points, unless another neighborhood association found to be valid was recognized, which is a bar to these points.

ANSWER:

Based on the information supplied, the Houston Super Neighborhood Groups do not meet the requirements for points under §49.9(i)(2) as they are too large and are made up of other community associations and therefore fail to meet the Neighborhood Organization test. They do however, qualify for §49.9(i)(16) of the 2007 QAP.

07302
Casa Alton

MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD ACTION REQUEST
June 14, 2007

Action Item

Presentation, Discussion and Possible Action for 2007 Competitive Housing Tax Credit (“HTC”) Appeals.

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeal.

Background and Recommendations

I. Casa Alton - 07302

On March 7, 2007, the Department received a letter from the Alton Public Association (the “Association”) requesting that their letter be considered for points for Quantifiable Community Participation (“QCP”). QCP points, statutorily required under §2306.6710 Texas Government Code, are described in §49.9(i)(2) of the 2007 Qualified Allocation Plan and Rules (“QAP”), and are awarded for letters from qualified “neighborhood organizations” that meet the set of criteria outlined by §49.9(i)(2) of the 2007 QAP.

In our review, the letter was found to be ineligible for points under §49.9(i)(2) of the 2007 QAP and was awarded a score of 12. The Applicant, through the appeal, is requesting that the letter be awarded points under §49.9(i)(16) of the 2007 QAP, Demonstration of Community Support Other Than Quantifiable Community Participation (“Support Other Than QCP”).

The letter was not awarded points under §49.9(i)(16) of the 2007 QAP because the letter was submitted by the Association for points under §49.9(i)(2) of the 2007 QAP, points were not requested by the Application for Support Other Than QCP, the letter was not received by the Department by the required deadline, and the letter did not meet all requirements of §49.9(i)(16) of the 2007 QAP.

The Applicant’s appeal is based on several assertions: the Association represented to the Applicant that the Association was on record with the state; based on the belief that the Association was on record with the state, the Applicant was unable to accurately certify that there are no neighborhood organizations that meet the Department’s definition of neighborhood organization pursuant to §49.9(i)(2)(A)(iv) of the 2007 QAP, and therefore unable to request points under §49.9(i)(16) of the 2007 QAP; and although the letter from the Association was submitted after the March 1, 2007 deadline for submission of letters under §49.9(i)(16) of the 2007 QAP, the late submission was made because Department staff was unable to provide technical assistance to a representative of the Association.

§49.9(i)(16) of the 2007 QAP states that, “if an Applicant requests these points on the self scoring form and correctly certifies to the Department that there are no neighborhood organizations that meet the Department’s definition of Neighborhood Organization pursuant to §49.9(i)(2)(A)(iv) of this title and 12 points were awarded under paragraph (2) of this subsection, then that Applicant may receive two points for each letter of support submitted from a community or civic organization that serves the community in which the site is located... Letters of support received after March 1, 2007, will not be accepted for this item.” The letter from the Association was not received by the Department until March 7, 2007. In addition, the Applicant did not request these points, nor did the Applicant make the necessary certification. Department phone records indicate that a representative of the Association did not leave a message for any Department staff on or before March 1, 2007 to request technical assistance.

The 2007 QAP explicitly states the requirements for points for Support Other Than QCP. The letter from the Alton Public Association is ineligible because the submission deadline was not met, the accurate certification was not provided, and points were not requested by the Applicant under this section.

Relevant documentation related to this appeal is provided behind the Board Action Request.

| | |
|-------------------------------|---|
| Applicant: | Alton Housing Development, L.P. |
| Site Location: | NW Corner Trospen Rd. & Proposed Oxford St. |
| City / County: | Alton / Hidalgo County |
| Regional Allocation Category: | Rural |
| Set-Aside: | USDA |
| Population Served: | General |
| Region: | 11 |
| Type of Development: | New Construction |
| Units: | 76 |
| Credits Requested: | \$705,994 |

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

07302
Appeal
Documentation



Rufino Contreras Affordable Housing Corporation, Inc.

908 E. 5th Street, Suite 201, Austin, TX 78702- Tel. (512) 474-5003 Fax- (512) 474-5010
a subsidiary corporation of the National Farm Workers Service Center, Inc.

May 29, 2007

Ms. Audrey Martin
Multifamily Finance Division
Texas Department of Housing and Community Affairs
PO Box 13941
Austin TX 78711

Re: Appeal of Final Scoring Notice, Casa Alton TDHCA #07302

Dear Ms. Martin,

Please accept this letter as an appeal to the final scoring notice for Casa Alton. In the scoring notice, a "neutral" score of 12 points was awarded for Quantifiable Community Participation and no points were awarded for Community Support Other than QCP.

We request that the letter that was submitted be considered for Community Support Other than QCP instead of Quantifiable Community Participation. Although we did not opt for these points on our application, it is only because we were told that the neighborhood organization was on record with the state. Since we were told by the organization that they were on record with the state and intended to submit a letter of support for our application, we had no reason to think they were not on record. Because we thought the organization was on record, we could not certify to the fact that there were no neighborhood organizations on record with the state and could not opt to be awarded the 2 points.

We further request that Casa Alton be awarded 2 points for Demonstration of Community Support Other than QCP. A letter of support for the application was submitted to the TDHCA by the Alton Public Association. Although the letter was submitted after the March 1 deadline, we feel it should be accepted since the TDHCA staff was unable to respond to questions from the neighborhood organization.

Unfortunately, the Alton Public Association's representative, Nancy Gonzalez, was unclear about the TDHCA requirements and called to get help with the letter. The TDHCA Quantifiable Community Participation Packet for Neighborhood Organizations instructs these organizations to call staff with any questions regarding the QCP requirements, the template or any other questions regarding the Housing Tax Credit Cycle. Ms. Gonzalez followed these instructions in an attempt to reach TDHCA staff. Phone records show that these calls to the TDHCA were made on March 1, but TDHCA staff was not able to answer these calls.

Based on this information, we request that our final scoring be adjusted to 181 to reflect the additional 2 points for Demonstration of Community Support Other than Quantifiable Community Participation.

Thank you for your consideration,

Jean Coburn
Project Manager



**National Farm Workers
Service Center, Inc.**
Housing and Economic Development Fund

Phone (512) 474-5003 Fax (512) 474-5010
908 E. 5th Street Suite 201, Austin, Texas 78702

FAX

To: Audrey Martin

From: Jean Coburn

Fax: 512-475-0764

Pages: 3

Phone: 512-475-3340

Date: 5/29/07

Re: Casa Alton, TDHCA #07302

CC:

Urgent For Review Please Comment Please Reply

Please find attached Appeal Election Form and appeal documentation

Thank you,

Jean Coburn

07302

Executive Director
Appeal Response



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

June 1, 2007

Ms. Jean Coburn
Alton Housing Development, L.P.
908 E. 5th Street, # 201
Austin, TX 78702
Telephone: (512) 474-5003
Facsimile: (512) 474-5010

Re: Appeal Received for Casa Alton – 07302

Dear Ms. Coburn:

Appeal Review

I have carefully reviewed the Application you submitted, as well as the appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 29, 2007 regarding the eligibility of a letter from the Alton Public Association (the "Association"), requesting that the letter be considered for points under §49.9(i)(16) of the 2007 Qualified Allocation Plan and Rules ("QAP"), Demonstration of Community Support Other Than Quantifiable Community Participation ("Support Other Than QCP").

The letter was not awarded points under §49.9(i)(16) of the 2007 QAP because the letter was submitted by the Association for points under §49.9(i)(2) of the 2007 QAP, Quantifiable Community Participation ("QCP"), points were not requested by the Application for Support Other Than QCP, and because the letter was not received by the Department by the deadline required by the QAP. In addition, the letter submitted by the Association did not meet the requirements for an award of points under §49.9(i)(16).

You appealed the eligibility of the letter by asserting several points: the Association represented to the Applicant that the Association was on record with the state; based on the belief that the Association was on record with the state, the Applicant was unable to accurately certify that there are no neighborhood organizations that meet the Department's definition of neighborhood organization pursuant to §49.9(i)(2)(A)(iv) of the 2007 QAP, and therefore unable to request points under §49.9(i)(16) of the 2007 QAP; and although the letter from the Association was submitted after the March 1, 2007 deadline for submission of letters under §49.9(i)(16) of the

Ms. Coburn
June 1, 2007
Page 2 of 2

2007 QAP, the late submission was made because Department staff was unable to provide technical assistance to a representative of the Association.

§49.9(i)(16) of the 2007 QAP states that, "if an Applicant requests these points on the self scoring form and correctly certifies to the Department that there are no neighborhood organizations that meet the Department's definition of Neighborhood Organization pursuant to §49.9(i)(2)(A)(iv) of this title and 12 points were awarded under paragraph (2) of this subsection, then that Applicant may receive two points for each letter of support submitted from a community or civic organization that serves the community in which the site is located... Letters of support received after March 1, 2007, will not be accepted for this item." The letter from the Association was not received by the Department until March 7, 2007. In addition, as stated in the appeal, the Applicant did not request these points, nor did the Applicant make the necessary certification. Department phone records indicate that a representative of the Association did not leave a message for any Department staff on or before March 1, 2007 to request technical assistance.

The 2007 QAP is explicitly states the requirements for points for Support Other Than QCP. The letter from the Alton Public Association is ineligible because the submission deadline was not met, and points were not requested by the Applicant under this section.

Appeal Determination

Your appeal is denied.

Pursuant to §49.17(b)(4) of the 2007 QAP, an appeal has been filed with the Board and will be considered by the Board at the June 14, 2007 Board meeting. Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2006 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

If you have questions or comments, please call (512) 475-3340.

Sincerely,



Michael Gerber
Executive Director

07302
Scoring Notice



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Alton Housing Development, L.P.

Date Issued: May 21, 2007

Jean Coburn

**THIS NOTICE WILL ONLY BE
TRANSMITTED VIA EMAIL**

908 E. 5th Street, # 201

Austin, TX 78702

Phone #: (512) 474-5003

Fax #: (512) 474-5010

Email: [jacoburn@nfwscmail.com](mailto:jcoburn@nfwscmail.com)

Second Email: mposs@nfwscmail.com

RE: 2007 Competitive Housing Tax Credit (HTC) Application for Casa Alton
TDHCA Number: 07302

Attention: Jean Coburn

The Texas Department of Housing and Community Affairs (the "Department") has completed its Eligibility and Selection Criteria Review of the Application referenced above as further described in §49.9(d)(1) of the 2007 Qualified Allocation Plan and Rules ("QAP"). Below, a summary is provided of the score requested, as calculated by the Applicant, followed by the score requested, as calculated by the Department. The two numbers differ if the Applicant's calculation was incorrect. The next score shown is the score awarded to the Application by the Department, followed by the difference between the score requested (as calculated by the Department) and the score awarded. An explanation of the reason(s) for any differences, including points denied, is provided at the top of the second page of this notice. The next scoring items show the number of points awarded for each of the four categories for which points could not be requested by the applicant: Quantifiable Community Participation ("QCP") §49.9(i)(2) of the 2007 QAP; letters of support or opposition from State Senators; §49.9(i)(6) letters of support or opposition from State Representatives; and §49.9(i)(16), letters of community support other than QCP. This is followed, in bold, by the final cumulative number of points awarded by the Department to the Application.

Please note that if you were awarded points under §49.9(i)(5), or (25) of the 2007 QAP this notice only provides an explanation of any point deductions for those items. Please note that should this application receive an award of tax credits, at the time the executed Commitment Notice is required to be submitted, the Applicant or Development Owner must provide evidence of a commitment approved by the governing body of a local political subdivision for the sufficient local funding and a commitment approved by a qualifying private, state, or federal source to the Department. Qualifying sources other than those submitted in the Application may be submitted to the Department at the time the executed Commitment Notice is required to be submitted pursuant to §49.9(i)(5) and (25) of the 2007 QAP.

To the extent that a threshold review is not yet completed for this application, pursuant to §49.9(d)(3), the final score may still change, in which case you will be notified.

Allocation: Rural

Set Asides: USDA Non Profit At Risk

| | |
|--|------------|
| Score Requested by Applicant (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 154 |
| Score Requested as Calculated by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 154 |
| Score Awarded by Department (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 153 |
| Difference between Requested and Awarded (Does not include points for §§49.9(i)(2), (6) or (16) of the 2007 QAP): | 1 |
| Points Awarded for §49.9(i)(2), Quantifiable Community Participation: | 12 |
| Points Awarded for §49.9(i)(6), Input from State Senator: | 7 |
| Points Awarded for §49.9(i)(6), Input from State Representative: | 7 |
| Points Awarded for §49.9(i)(16), Community Support Other than QCP: | 0 |
| Final Score Awarded to Application by Department: | 179 |



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Page 2 of Final Scoring Notice: 07302, Casa Alton

**Explanation for Difference between Points Requested and Points Awarded by the Department
(explanation does not include points for §§49.9(i)(2) and (6)):**

§49.9(i)(13) – Pre-Application Incentive Points: The final award of the Pre-Application was 146 points. In order to be awarded the full 6 points for participating in the Pre-Application process, the Application final score cannot be more than 5% greater than the Pre-Application score (no greater than 153 points). The final Application score exceeded the 5% variance (154 points). You selected Option A, which elects to cap the Application score at no greater than the 5% increase from Pre-Application score. Therefore, the revised final score is 153 points.

A formal appeals policy exists for the Competitive HTC Program. If you wish to appeal this scoring notice (including Set-Aside eligibility), you must file your appeal with the Department no later than 5:00 p.m., Tuesday, May 29, 2007. If an appeal is denied by the Executive Director, an Applicant may appeal to the Department Board. THE DEPARTMENT STRONGLY SUGGESTS that you submit your appeal to the Executive Director no later than Friday, May 25, 2007 by 5:00 p.m. in order to allow an ED response to the appeal and any denied appeals to be added to the June 14, 2007 Board agenda. The restrictions and requirements relating to the appeals policy can be found in §49.17(b) of the 2007 QAP.

In an effort to increase the likelihood that Board appeals related to scoring and Set-Asides are heard at the June 14, 2007 Board meeting, the Department has provided an Appeal Election Form for all appeals submitted to the Executive Director. In the event an appeal is denied by the Executive Director the form requests that the appeal automatically be added to the Board agenda. Note that the completion of the form will add the appeal to the agenda, however any additional information for the appeal to the Board must be received by the Department by 5:00 p.m. Tuesday, June 5, 2007. All appeals should be submitted to the attention of Audrey Martin.

A posting of all completed final Application scores will be publicized on the Department's website at www.tdhca.state.tx.us on Tuesday, May 22, 2007 at 5:00 p.m. A list of the Applications approved by staff to be considered by the Department's Board will be available on the website no later than June 21, 2007. If you have any concerns regarding potential miscalculations or errors made by the Department, please contact Audrey Martin by facsimile (512) 475-0764 or (512) 475-1895 or email to audrey.martin@tdhca.state.tx.us.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance



MULTIFAMILY FINANCE PRODUCTION DIVISION
Housing Tax Credit Program - 2007 Application Round
Final Scoring Notice - Competitive Housing Tax Credit Application

Appeal Election Form: 07302, Casa Alton

I am in receipt of my 2007 scoring notice and am filing a formal appeal to the Executive Director on or before May 29, 2007, although the Department recommends submission by May 25, 2007, for processing (attached).

If my appeal is denied by the Executive Director, I:



Do wish to appeal to the Board of Directors and request that my application be added to the June 14, 2007 Department Board of Directors meeting agenda. My appeal documentation which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2007 Board materials. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.



Do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed *Juan Cabrera*
Title *Project manager*
Date *5-29-07*

Please fax or email to the attention of Audrey Martin:
Fax: (512) 475-0764 or (512) 475-1895
Email: audrey.martin@tdhca.state.tx.us

07302
QCP Ineligibility
Determination Letter



Texas Department of Housing and Community Affairs
Multifamily Finance Production Division
2007 Quantifiable Community Participation

May 10, 2007

Primary Contact:

Contact Name: Nancy Gonzalez, President

Contact Phone: 956-580-3315

Contact Fax: (956) 580-2674

Contact E-Mail: NRODRI84@mcisd.org

Second Contact:

Second Contact: Dedral Gonzalez

Second Phone: (956) 580-3315

Second Fax: (956) 580-2674

2nd E-Mail:

Re: Response from your Neighborhood Organization for Quantifiable Community Participation
Casa Alton, # 07302

Dear Nancy Gonzalez:

I am writing regarding the letter you submitted in response to the deficiency letter for the purpose of scoring Quantifiable Community Participation (QCP) points for the above-referenced application. Thank you for responding to the request.

The Texas Department of Housing and Community Affairs (the Department) has reviewed the letter and the additional documentation you submitted and compared it to the minimum requirements for the letter as required under the Qualified Allocation Plan and Rules (QAP) that govern the Housing Tax Credit Program this year. Unfortunately, in our review, one or more requirements still have not been satisfied as further described below.

A Deficiency Notice issued on March 27, 2007, and for which receipt was confirmed on March 30, 2007, requested additional contact information, and evidence that the letter submitted for points under §49.9(i)(2) of the 2007 QAP was submitted to the Department, or postmarked, on or before March 1, 2007. The organization submitted a response on April 3, 2007; the response included a certified mail return receipt. However, it was unclear whether the receipt was for the QCP letter itself, or the letter submitted for neighborhood organization registry. Department staff attempted to contact the representative of the organization who submitted the response in order to get clarification; however, the representative did not return staff's call. Therefore, the Department did not receive sufficient information to resolve the items requested in the Deficiency Notice.

In addition, a Deficiency Notice was issued to the organization for neighborhood organization registry on March 27, 2007 with a response due by April 5, 2007. The Deficiency Notice requested a written description and map of the organization's boundaries that matched one another, and evidence that the organization and boundaries were in effect as of December 1, 2006. The organization submitted a response on April 3, 2007; however, the response only included a response to the Deficiency Notice issued for the QCP letter itself, and did not include any evidence requested in the Deficiency Notice for neighborhood organization registry. The Department did not receive sufficient information to verify that the organization was on record with the county or state, and that the boundaries were in effect as of December 1, 2006.



Texas Department of Housing and Community Affairs
Multifamily Finance Production Division
2007 Quantifiable Community Participation

Therefore, because the deficiency was not satisfied, the organization's letter will not be considered further for scoring. Please be assured that the Department values all public input and while the Department will be unable to assign points to the letter the Department will still record the input in the Application's file and provide the Board of the Department with a summary of the comment for their information and consideration.

Thank you again for your active involvement in our application process. If you have any questions, please do not hesitate to contact Audrey Martin at audrey.martin@tdhca.state.tx.us or by telephone at (512) 475-3872.

Sincerely,

Robbye Meyer

Robbye Meyer
Director of Multifamily Finance Production

HOME DIVISION
BOARD ACTION REQUEST
June 14, 2007

Action Item

Presentation, Discussion and Possible Action for the applicant's appeal of the termination of the following 2007 HOME Rental Housing Development Program applications Constitution Court (#07263), Copper Creek Homes (#07340) and Parkwood Apartments (#07343).

Requested Action

Approve, Deny or Approve with Amendments a determination on the appeals.

Background and Recommendations

Constitution Court Apartments Application # 07263

On March 1, 2007, an application was submitted for Constitution Court to the Texas Department of Housing and Community Affairs (the "Department"). On May 22, 2007 the Department terminated this application for failing to meet the following requirement:

The *Selection Criteria Section 9(b) (iii)* of the NOFA states "Applicants may receive up to 156 points based on the scoring criteria listed below, and must obtain a minimum score of 70 points to be considered for award."

The Applicant originally requested 79 points. Upon staff review of selection criteria for *Volume 7, Tab 8 Location of Development*, it was determined that an affordable rental development that received funding from the Department is located in Copperas Cove, Texas, the proposed location for this application. In order for the Applicant to be eligible for the 10 points for this selection criteria, there must be no other Department-funded development located in the proposed City or Place. Therefore, no points were awarded for this 10 point scoring item. This resulted in a total score of 69 for this application.

On May 22, 2007 the Department received a request to appeal the termination decision. As it relates to the responses in the appeal letter, the Applicant references the link in the application materials which does not list an affordable rental development in Copperas Cove, Texas. However, the 2007 ASPM instructions for *Volume 7 Tab 8 Location of Development* included a statement for the Applicant to use all sources available to ensure that no other affordable units are located in the proposed City/Place. An affordable rental development that received HOME funding from the Department in 1996 is located in Copperas Cove, Texas and is traceable through the vacancy clearinghouse on the Department's web-site.

Relevant documentation related to this appeal is provided behind the Board Action Request.

| | |
|-------------------------------|---|
| Applicant: | Constitution Court, Ltd. |
| Site Location: | Constitution Drive |
| City/County: | Copperas Cove/Coryell County |
| Regional Allocation Category: | Urban/Exurban |
| Set-Aside: | CHDO |
| Population Served: | Family |
| Region: | 8 |
| Type of Development: | New Construction |
| Units: | 87 HOME Units / 108 Total Units |
| HOME Requested: | \$2,950,000 (includes \$50,000 CHDO Operating Expenses) |

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

Copper Creek Homes Application # 07340

On March 1, 2007, an application was submitted for Copper Creek Homes to the Texas Department of Housing and Community Affairs (the "Department"). On May 24, 2007 the Department terminated this application for failing to meet the following requirements:

The Threshold Criteria Section 8(e) (iii) of the NOFA states "The following Threshold Criteria listed in this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise: all of 2007 Qualified Allocation Plan and Rules at 10 TAC §49.9(h), excluding subsections (4) (I), (11), (12) and (15)." The applicant submitted a certification acknowledging that the Certification of Notification requirement had not been met. Additionally the Applicant acknowledged that a Public Notification sign was only placed on one of the eight sites listed in the application.

In addition, Section 49.9(h) (8) (A) of the QAP states that "Evidence in the form of a certification of all of the notifications described in the subparagraphs of this paragraph. Such notices must be prepared in accordance with the "Public Notifications" certification provided in the Application. (A) Evidence in the form of a certification that the Applicant met the requirements and deadlines identified in clauses (i) - (iii) of this subparagraph."

Additionally Section 49.9(h) (8) (B) of the QAP states "Signage on Property or Alternative. A Public Notification Sign shall be installed on the Development Site prior to the date the Application is submitted. Scattered site Developments must install a sign on each Development Site."

Section 53.53 (j) of the State HOME Rules states "for Rental Development activities will be required to provide written notification to each of the following persons or entities 14 days prior to the submission of any application package. Failure to provide written notifications 14 days prior to the submission of an application package at a minimum will cause an application to lose

its "received by date" under open application cycles, or be terminated under competitive application cycles."

On May 25, 2007 the Department received a request to appeal the termination decision. As it relates to the responses in the appeal letter, the Applicant agreed that notification requirements were not met. Additionally, the explanation provided continues to indicate that only one sign was posted for the eight scattered sites. As cited above, Section 49.9(h) (8) (B) of the QAP clearly states that signs must be installed on **each** development site for scattered site developments. The Department also received unfavorable comments regarding the proposed development at the April 25, 2007 Public Hearing in Lufkin and from a local resident through the Department's Consumer Complaint System which stated that the notification sign was posted at the end of a dead end street with the back of the sign facing the rest of the subdivision.

In the appeal letter, the Applicant also requested permission to provide one centrally located gazebo for all eight sites. Section 49.9(h)(4)(A) states, "Applications for non-contiguous scattered site housing, including New Construction, Reconstruction, Rehabilitation, and single-family design, will have the threshold test applied based on the number of Units per individual site, and must submit a certification for each individual site under control by the Applicant."

Relevant documentation related to this appeal is provided behind the Board Action Request.

| | |
|-------------------------------|---|
| Applicant: | Copper Creek Homes |
| Site Location: | Copper Creek Subdivision, Hwy 94 |
| City/County: | Hudson/Angelina County |
| Regional Allocation Category: | Rural |
| Set-Aside: | CHDO |
| Population Served: | Family |
| Region: | 5 |
| Type of Development: | New Construction |
| Units: | 8 HOME Units / 8 Total Units |
| HOME Requested: | \$696,754 (includes \$50,000 CHDO Operating Expenses) |

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

Parkwood Apartments Application # 07343

On March 1, 2007, an application was submitted for Parkwood Apartments to the Texas Department of Housing and Community Affairs (the "Department"). On May 24, 2007 the Department terminated this application for failing to meet the following requirements:

Section 53.58 (c) of the HOME Rules "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 application failed to comply with the above-cited requirement. In the Applicant's response to the Deficiency Notice issued by the Department and dated May 10, 2007, the Applicant failed to provide Participants in the Application Information Parts D and E for Dixie (Hoover) Farmer in accordance with the requirements of §49.9 (h)(9)(C) of the QAP.

On May 30, 2007 the Department received a request to appeal the termination decision and the appeal letter states that the Applicant was attempting to receive clarification to the Deficiency Notice dated May 10, 2007 regarding which individual members of the trust would need to provide *Previous Participation and Background Certification Forms*. The e-mail from TDHCA staff enclosed with the appeal letter clearly states that the "normal forms must be submitted, the same for any other owner, as originally required." Also in response to the question raised in the appeal letter, section 49.9(h)(9)(C) of the QAP clearly states that the completed and executed *Previous Participation and Background Certification Forms* must be provided to the Department as mandatory Threshold Criteria at the time of Application submission for all entities shown on the organizational chart. There is no distinction for non-voting shareholders.

Additionally, the Participants in the Application Information Parts D and E for Dixie (Hoover) Farmer were received by the Department on May 23, 2007 after the deadline had passed.

Relevant documentation related to this appeal is provided behind the Board Action Request.

| | |
|-------------------------------|----------------------------------|
| Applicant: | Lake Victor Housing, Ltd. |
| Site Location: | 114 West 10 th Street |
| City/County: | Nixon/Gonzales County |
| Regional Allocation Category: | Rural |
| Set-Aside: | Preservation |
| Population Served: | Family |
| Region: | 10 |
| Type of Development: | Rehabilitation |
| Units: | 24 HOME Units / 24 Total Units |
| HOME Requested: | \$732,127.50 |

Staff Recommendation: The Executive Director denied the original appeal. Staff is recommending that the Board also deny the appeal.

CONSTITUTION COURT APPLICATION 07263



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

May 30, 2007

Mr. Emanuel H. Glockzin
P.O. Box 3189
Bryan, Texas 77805-3189
Telephone: (979) 846-8878
Telecopier: (979) 846-0783

Re: Appeal for Constitution Court # 07263

Dear Mr. Glockzin:

Appeal Review

I have carefully reviewed your appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 22, 2007 regarding the termination of the HOME Investment Partnerships CHDO application for the above referenced application.

The *Selection Criteria Section 9(b) (iii)* of the NOFA states "Applicants may receive up to 156 points based on the scoring criteria listed below, and must obtain a minimum score of 70 points to be considered for award."

Your application failed to meet the minimum score requirements cited above since no points were awarded for the *Location of Development* selection criteria due to an affordable rental development that received funding from the Department being located in Copperas Cove, Texas.

In your appeal letter received by the Department on May 22, 2007, you refer to the link referenced in the application materials. Please note, however, the ASPM instructions for *Volume 7 Tab 8 Location of Development* included a statement for the Applicant to use all sources available to ensure that no other affordable units are located in the proposed City/Place. Additionally, your letter states that you have been unable to locate a list which identifies the existing affordable rental development in Copperas Cove, Texas. Please refer to the *Consumer Assistance* tab on the Department's web-site and click on *Rental Assistance* and *Find Properties*. You will be given the opportunity to search for properties and when you enter the city of Copperas Cove, the query produces a link to Mountain View Apartments. For your convenience, I have attached screen-shots that illustrate the path on the Department's web-site to locate the existing affordable rental development assisted with HOME funds in 1996.

Mr. Emanuel H. Glockzin
May 30, 2007
Page 2

Appeal Determination

Your appeal is denied.

Pursuant to §49.17(b) of the 2007 Qualified Allocation Plan and Rules, your request for an appeal to the Board has been placed on the June 14, 2007 Board meeting agenda.

If you have questions or comments, please contact Jeannie Arellano, Director of the HOME Division at (512) 463-6164.

Sincerely,

A handwritten signature in black ink, appearing to read "M Gerber", written over a white background.

Michael Gerber
Executive Director

Texas Department of Housing & Community Affairs (TDHCA) Website Screenshot

Address: http://www.tdhca.state.tx.us/

Home | Contact TDHCA | About TDHCA | Events | Press Room | Employment | Quick Links

Helping Texans Achieve an Improved Quality of Life Through the Development of Better Communities

Need Help? Afghanistan, Iraq essential housing

Disaster Recovery

Homebuyer Assistance

Rental Assistance

Home Repair & Weatherization

Utility Bill Help / Other

Housing Center

TDHCA Interactive

TDHCA will provide these funds through its **Housing Trust Fund**, Texas' only state-authorized affordable housing initiative. [more»](#)

Rural Economic Development Efforts to Receive Housing Boost

Rural Texas communities experiencing or seeking job growth could soon meet the increasing demand for affordable rental housing through an innovative housing program recently unveiled by state housing officials which will be tied directly to job creation in rural communities.

TDHCA has released a \$5 million Notice of Funding Availability (NOFA) for a new rental housing development program designed to help rural communities expand the stock of rental housing affordable to its local workforce. [more»](#)

TDHCA Releases Funding Notices Totaling \$105 Million for Hurricane Disaster Relief

The Department has released two Notices of Funding Availability (NOFAs) totaling \$105 million for disaster recovery efforts in Southeast Texas impacted by Hurricane Rita. The NOFAs, one each for rental housing stock restoration and critical infrastructure repairs, will jump-start funding to several communities hard hit by

CDBG Disaster Recovery Assistance

Learn about the new program, and find out if you're eligible to receive assistance. [more »](#)

First Time Homebuyers

30-Year Fixed Rate Loans »

PROGRAM 68 RATES

| | | |
|------------------|---------------------------|--|
| 5.65% Unassisted | 6.20% SW Grant Assistance | 5.99% Rita On Zone 5% Grant Assistance |
|------------------|---------------------------|--|

What's New

- Request for Proposals to Provide Market Analysis of the Dallas-Plano-Irving-Metropolitan Division
- CDBG Disaster Recovery NOFAs
- HOME Division NOFA, Application and Workshops for Housing Programs for Persons with Disabilities
- Application for Texas Statewide Homebuyer Education Program 2007 workshop

Featuring Items

- Board Meeting Materials
- 2006 Program Guide
- Owner's Financial Certification
- Maximum Income and Rent Limits
- Legislative Appropriations Request FY 2008-09 PDF

Adobe Reader: [Free software to view PDF files](#)

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Mr. Emanuel H. Glockzin

May 30, 2007

Page 4

Vacancy Clearinghouse City, County or ZIP Code Search

File Edit View Favorites Tools Help

Back Forward Stop Search Favorites Media Print Home Page Go Bookmarks Blocked Check Settings

Address http://www.tdhca.state.tx.us/fac/VacancyClearinghouseSearch/tes.htm

Home | Contact TDHCA | About TDHCA | Events | Press Room | Employment

TEXAS
DEPARTMENT OF HOUSING
AND COMMUNITY AFFAIRS

Helping Texans Achieve an Improved Quality of Life
Through the Department of Better Communities

• 2 result(s) returned

Vacancy Clearinghouse - City, County or ZIP Code Search

Please specify the Texas city, county or ZIP code to search. Important: Enter only one field to search.

For a list of affordable apartments in your area, enter your city or county or zipcode. Information regarding rents, amenities and units for persons with disabilities is included if available. Please note the properties listed are only properties funded by TDHCA. For other affordable housing rental options, contact your local Public Housing Authority or Housing Department, or visit our [rental assistance](#) page.

Vacancy Search

City

County

Zip

These properties are privately owned, but they are required to set aside some units for lower income persons and families. However, this is not a guarantee that units will be available at a given time. When you contact them, describe your financial situation and ask if they have any units available to your income group. They will let you know if they can assist you.

VACANCY SEARCH RESULTS

| Property Name | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | Contact |
|---|---|---|---|---|---|---|---|---|----------------|
| 903 North Main 903 N Main COPPERAS COVE, TX 76522 Map | 0 | 0 | 2 | 0 | 0 | 0 | 2 | | (254) 528-5921 |
| Mountain View Apartments 1805-1821 N. Main COPPERAS COVE, TX 76522 Map | 0 | 0 | 0 | 4 | 0 | 0 | 4 | | (254) 547-2116 |

Texas Department of Housing and Community Affairs (TDHCA)

Done

Start

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4:37 PM

Mr. Emanuel H. Glockzin

May 30, 2007

Page 5

Vacancy Clearinghouse Report Unit Information

File Edit View Favorites Tools Help

Back Forward Stop Search Favorites Media Print Home Google Go Bookmarks Blocked Check Settings

Address: http://vac.k12txa.state.tx.us/vac/vacancyClearinghouseDetail.m?projectId=2704

Property Information

Mountain View Apartments

| | |
|---|-----------------------------------|
| Type: Individual/Family | Building Configuration: Apartment |
| Dwelling Type: Multi Family Residential | Total Units: 32 |
| Total Program Units: | |

Address Detail

| | | |
|---------------------------|-----------|------------|
| Line 1: 1805-1821 N. Main | | |
| Line 2: | | |
| City: COPPERAS COVE | State: TX | Zip: 76522 |
| County: CORYELL | | |

Contact Information for Property

| | |
|----------------|---------------------|
| Business Phone | (254) 547-2116 |
| Fax | 254-542-7916 |
| Email | bradi@earthlink.net |

Program Participation

| | | |
|--------|------|------|
| 533027 | HOME | 1996 |
|--------|------|------|

*Refer to the [Low Income Guidelines](#) for the participating program(s) or call the property for more specific information about these units.

Units Designed for Persons with Mobility and Vision or Hearing Impairments

Property Amenities

| |
|-----------------------|
| Vacancy Clearinghouse |
|-----------------------|

Utilities Included in Rent

Required Deposits

Click your browser's Back button to return to your search or click [here](#) to start a new search.

Texas Department of Housing and Community Affairs (TDHCA)

Done Internet 4:38 PM

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Texas Department of Housing and Community Affairs
HOME Division
HOME Rental Housing Development Program
2007 Competitive Application Cycle

Appeal Election Form: 07263, Constitution Court

I am in receipt of termination notice and am filing a formal appeal to the Executive Director on or before May 29, 2007, although the Department recommends submission by May 25, 2007, for processing (attached).

If my appeal is denied by the Executive Director, I;

Do wish to appeal to the Board of Directors and request that my application be added to the June 14, 2007 Department Board of Directors meeting agenda. My appeal documentation which identifies my specific grounds for appeal is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Tuesday, June 5, 2007 to be placed with the June 14, 2007 Board materials. If not documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Do not wish to appeal to the Board of Directors.

Note: If you do not wish to appeal this notice, you do not need to submit this form.

Signed

Title Owner Representative

Date May 29, 2007

Please fax or email to the attention of Barbara Skinner:

Fax: (512) 475-4798

Email: barbara.skinner@tdhca.state.tx.us

P.O. Box 3189
Bryan, Texas 77805-3189
979.846.8878 phone 979.846.0783 fax

Emanuel H. Glockzin, Jr.

Fax

RECEIVED
MAY 22 2007
DEPUTY ED.

*Leanne
EB*

| | |
|--|---|
| To: Mr. Michael Gerber Texas Dept. of Housing and Community Affairs | From: Emanuel H. Glockzin, Jr. Constitution Court, Ltd. |
| Fax: (512) 469-9606 | Pages: 10 |
| Phone: | Date: May 22, 2007 |
| Re: TDHCA #07263 | CC: |
| <input checked="" type="checkbox"/> Urgent <input type="checkbox"/> For Review <input type="checkbox"/> Please Comment <input type="checkbox"/> Please Reply | |

Mr. Gerber,

Attached please find my letter of appeal (and documentation) regarding the HOME Investment Partnership application filed for Constitution Court in Copperas Cove, and the scoring thereof.

According to the instructions for appeal in Title 10 of the Texas Administrative Code §1.7, I have outlined the grounds which I feel that I have for the appeal.

I will be mailing the originals to you also, by Certified Mail today. Please let me know if further documentation will be needed.

Thank you in advance for your attention to this matter.

CONSTITUTION COURT, LTD.

4500 Carter Creek Parkway, Suite 101, Bryan, TX 77805
• Phone (979) 846-8878 • Fax (979) 846-0783

May 22, 2007

Texas Department of Housing
And Community Affairs
221 East 11th Street
Austin, TX 78701

Attn: Mr. Michael Gerber – Executive Director
Re: Constitution Court, Ltd. TDHCA # 07263 – HOME Application

Dear Mr. Gerber:

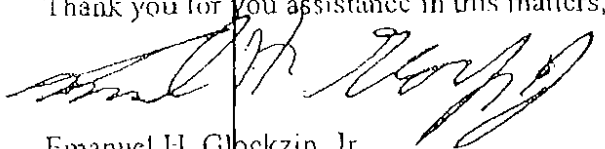
I am writing this letter to formally appeal to you, the final score on an application that was submitted for HOME Investment Partnership funds for Constitution Court, Ltd. in Copperas Cove, Texas.

We requested 10 points in relation to Volume 7 Tab 8 Location of Development, which states "To encourage the creation of rental housing in communities where affordable units may not already exist, Applicants will receive 10 points for Developments that are located in Cities or Places that have no other affordable rental developments that have received funding from the Department". There was a box to check that "The Department Property Inventory List does not list another development in the proposed City/Place <http://www.tdhca.state.tx.us/multifamily/index.htm>".

In looking at this listing, it states that the Department has 0 HTC Units in Place, but the list does not state whether there are HOME rental units in Copperas Cove. We later discovered that there were 30 HOME units in Copperas Cove; however we would not have requested these particular 10 points had we known (by a list of HOME awards, published by the Department), that they had funded HOME units in Copperas Cove. We could have easily scored in other areas so as not to lose our application completely. In looking at the lists which the Department refers to, we have to this date, still not found a listing of HOME (only) awards that have been made by the Department.

For this reason, I would like to appeal the decision on the attached letter dated May 22, 2007 informing me that the application has been terminated and no further action will be taken.

Thank you for your assistance in this matters,


Emanuel H. Glockzin, Jr.
Application Contact

enclosures



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

May 22, 2007

Mr. Emanuel H. Glockzin
P.O. Box 3189
Bryan, Texas 77805-3189
Telephone: (979) 846-8878
Telecopier: (979) 846-0783

Re: Constitution Court # 07263

Dear Mr. Glockzin:

On March 1, 2007, an application was submitted for the above-referenced development for an award of HOME Investment Partnerships funds. It has been determined that the application will not be considered for award for the following reason:

(I) Applicant did not obtain the minimum score of 70 points.

You originally requested 79 points for your application. Upon staff review of selection criteria for *Volume 7, Tab 8 Location of Development*, it was determined that an affordable rental development that received funding from the Department is located in Copperas Cove, Texas, the proposed location for this application. Therefore, no points were awarded for this 10 point scoring item. This resulted in a total score of 69 for this application.

The *Selection Criteria Section 9(b) (iii)* of the NOFA states "Applicants may receive up to 156 points based on the scoring criteria listed below, and must obtain a minimum score of 70 points to be considered for award."

Therefore, please be informed that pursuant to §53.59(3) of the Department's 2006 HOME Rules the Department has terminated the HOME application and no further action will be taken. The Housing Tax Credit application is still under review by the Multifamily Finance Division.

Please be aware that an Appeals Policy exists for the HOME Program. If you wish to appeal this application termination decision, you must appeal to the Executive Director no later than 5:00 pm on or before seven days following the date of this notice. The restrictions and requirements relating to the filing of an appeal can be found in Title 10 Texas Administrative Code §1.7.

Mr. Emanuel H. Glockzin
May 18, 2007
Page 2

If you have any questions, please do not hesitate to me at jeannie.arellano@tdhca.state.tx.us or 512.463.6164.

Sincerely,

Jeannie Arellano

Jeannie Arellano
Director of the HOME Division

JA:bs



Texas Department of Housing & Community Affairs

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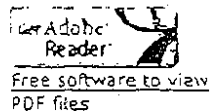
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Housing Tax Credits (HTC)

Announcements

9% Competitive Housing Tax Credits:

- [Results for Community Support Other Than Quantifiable Community Participation \(PDF\)](#)
- [2007 Final Quantifiable Community Participation Results \(PDF\)](#)
- [Challenges to 2007 Competitive HTC Applications as of May 16, 2007 \(PDF\)](#)
- [Final List of Letters Received from State Elected Officials \(PDF\)](#)
- [List of Letters Received from State Elected Officials Pursuant to §49.9\(i\)\(6\) of the 2007 Qualified Allocation Plan and Rules for 2007 Competitive Housing Tax Credit Applications \(PDF\)](#)
- [2007 9% Applications - Individually Imaged \(opens a new navigation window\)](#)
- [List of Quantifiable Community Participation Letters Received for 2007 Competitive Housing Tax Credit Applications Under §49.9\(i\)\(2\) of the 2007 Qualified Allocation Plan and Rules \(PDF\)](#)
- [2007 Competitive HTC Application Submission Log March 27, 2007 \(PDF\) Includes 2007 Binding Agreements and Forward Commitments out of the 2007 State Credit Ceiling.](#)
- [2007 Competitive HTC Application Submission Log March 15, 2007 \(PDF\) Includes 2007 Binding Agreements and Forward Commitments out of the 2007 State Credit Ceiling.](#)
- [Final 2007 Pre-Application Results as of March 1, 2007 \(PDF\) Includes 2007 Pre-Applications, Intent to Request submissions, and all Binding Agreements and Forward Commitments out of the 2007 State Credit Ceiling.](#)
- [2007 Quantifiable Community Participation Packet for Neighborhood Organizations \(PDF\) or \(DOC\)](#)
- [2007 Public Hearing Schedule \(PDF\) for Comment on 2007 Competitive Housing Tax Credit Applications](#)
- [2007 9% Pre-Applications - Individually Imaged \(opens a new navigation window\)](#)
- [Summary and Status of Eligible and Ineligible "Challenges" to 2006 Competitive Housing Tax Credit Applications \(PDF - Updated October 26, 2006\) \(Called "allegations" in 2005\)](#)
- [2006 9% HTC Awards as of July 28, 2006 Board Meeting](#)
- [2006 9% HTC Awards and Waiting List as of July 28, 2006 Board Meeting](#)
- [2006 9% NonProfit HTC Awards as of July 28, 2006 Board Meeting](#)
- [2007 9% HTC Awards out of the 2007 HTC Ceiling as of July 28, 2006 Board Meeting](#)

Housing Tax Credit Featured Items

[Tax Credit Consultants \(PDF\)](#)

[Tax Credit Syndication \(PDF\)](#)

[Application Information](#)

[HTC Amendments for the May 10, 2007 Board Meeting \(PDF\)](#)

- [2006 9% HTC Hurricane Rita Final Awards as of May 4, 2006 Board Meeting](#)

4% Noncompetitive Housing Tax Credits:

- [2007 4% Housing Tax Credit with Local Issuer Status Log as of 4/13/07 \(PDF\)](#)

2006 Rules, Policies and Guidelines

- [2006 Final QAP Signed by Governor Rick Perry as amended March 27, 2006 \(PDF\)](#)
- [Final Qualified Contract Policy \(PDF\)](#)
 - [Qualified Contract Preliminary Request Procedures Manual \(PDF\)](#) or [\(DOC\)](#)
- [2006 Rural Rescue Policy - Approved by Board November 10, 2005 \(PDF\)](#)

2005 Rules, Policies and Guidelines

- [2005 Final Qualified Allocation Plan \(PDF\)](#)
- [2005 Application Procedures for Housing Tax Credits with Tax Exempt Bond Financing \(PDF\)](#)

4% Credits (for Tax Exempt Bonds)

- [Application Procedures for Housing Tax Credits with Tax Exempt Bond Financing](#)
 - [2007 \(PDF\)](#)
 - [2006 \(PDF\)](#)
- [Post Bond Closure Submission: 60 Day Documents Required](#)
 - [2007 \(PDF\)](#) or [\(DOC\)](#)
 - [2006 \(PDF\)](#) or [\(DOC\)](#)
- [2006 Agreement and Election Statement for Housing Tax Credits Substantially Bond-Financed Buildings \(DOC - form\)](#)
- [HFC Contact List \(XLS\)](#) or [\(PDF\)](#)

General HTC Postings, Processes & Procedures

- [Witness Affirmation Form for Public Hearings \(PDF\)](#)
- [RFQ for Brokerage Services \(PDF\)](#)
- * [2007 Housing Tax Credit Site Demographic, County and Tract Level \(XLS\)](#) and [\(PDF\)](#) - Updated April 30, 2007. This document includes all of the following:
 - Region number of a Place
 - Whether a location is a Rural Allocation or an Urban/Exurban Allocation
 - Eligibility under §49.5(a)(7), "Two Times Per Capita".
 - If the location is eligible under §§49.6(g) and (l)
 - Eligibility under §49.9(i)(11) for the 2007 Affordable Housing Needs Score
 - Eligibility for points under §49.9(i)(13)(F) and (H), "Development Characteristics"
 - Eligibility for "Exurban" points under 49.9(i)(14)
- * [2007 Property Inventory - April \(PDF\)](#) or [\(XLS\)](#)

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2007 Housing Tax Credit Site Demographic Characteristics as of 12/14/2006 Board Meeting

Place Level - Sorted by Place

Instructions

A site located outside the boundaries of a place (as designated by the 2000 U.S. Census) will use the Affordable Housing Need Score of the place whose boundary is closest to the site.

If information for a specific place is not included in the table, then contact TDHCA's Division of Policy and Public Affairs at (512) 475-3976. All other questions relating to scoring an application should be submitted in writing to Jason Burr via email at jason.burr@tdhca.state.tx.us

Notes

(1) These area designations may be updated when TX-USDA-RHS releases the 2007 areas eligible for funding or applicants may petition TDHCA to update the "Rural" designation of a place within a metropolitan statistical area by providing a letter from a local official. Such letter must clearly indicate that the place has an incorporated area boundary that touches the boundary of another place with a population of over 20,000. Such petitions should be submitted to the TDHCA Division of Policy and Public Affairs via email at info@tdhca.state.tx.us or fax at (512) 475-3746. To treat all applicants equitably, such letter must be provided to TDHCA prior to the commencement of the pre-application submission period for HTC applications. The results of such petitions will be posted on the HTC application updates portion of the website at <http://www.tdhca.state.tx.us/htc.htm> and any changes to the area designations will be e-mailed to the applicant contact e-mail addresses as listed in the application.

(2) OAP 49.9(i)(11), Affordable Housing Need Score - The number represented for the place is the number of points that may be requested for a Competitive Housing Tax Credit Application for the 2007 Application Round.

(3) OAP 49.9(i)(15), Exurban Points - The "Yes" or "No" in this column for each place indicates whether a Competitive Housing Tax Credit Application in the place is eligible for Exurban points.

(4) OAP 49.5(a)(7), 2X Per Capita - A "Yes" in this column for a place indicates that the place violates the 2X per capita limitation; a "No" indicates that the place does not violate the 2X per capita limitation. HTC Unit Data is based on Board approvals through 12/14/2006. Population data is based on Texas State Data Center 06 Population Estimate. A site located outside the boundaries of an incorporated place will use the County HTC per capita. The HTC per capita status of the Census Designated Places (CDP) shown in the table below is based on the county per capita.

| Region | Place | County | Area Type-Rural or Urban/ Exurban (1) | 2000 Census Population | Affordable Housing Need Score (2) | Eligible for Exurban Points (3) | HTC Units in Place | Place Per Capita TX Per Capita | HTC Per Capita > 2X TX Per Cap (4) | CDP |
|--------|-----------------------|------------------|---------------------------------------|------------------------|-----------------------------------|---------------------------------|--------------------|--------------------------------|------------------------------------|-----|
| 8 | Abbott | Hill | Rural | 300 | 5 | No | 0 | 0 | No | |
| 1 | Abernathy | Hale | Rural | 2839 | 5 | No | 24 | 1,184 | No | |
| 2 | Abilene | Taylor | Urb./Exurb. | 115930 | 6 | No | 823 | 0.981 | No | |
| 11 | Abram-Perezville | Hidalgo | Rural | 5444 | 7 | No | 0 | 0 | No | Yes |
| 12 | Ackerly | Dawson | Rural | 245 | 5 | No | 0 | 0 | No | |
| 3 | Addison | Dallas | Urb./Exurb. | 14188 | 5 | Yes | 0 | 0 | No | |
| 1 | Adrian | Oldham | Rural | 159 | 7 | No | 0 | 0 | No | |
| 13 | Agua Dulce (El Paso) | El Paso | Rural | 738 | 4 | No | 0 | 0 | No | Yes |
| 10 | Agua Dulce (Nueces) | Nueces | Rural | 737 | 6 | No | 0 | 0 | No | |
| 10 | Airport Road Addition | Brooks | Rural | 132 | 4 | No | 0 | 0 | No | Yes |
| 11 | Alamo | Hidalgo | Urb./Exurb. | 14760 | 4 | Yes | 280 | 2,277 | Yes | |
| 9 | Alamo Heights | Bexar | Urb./Exurb. | 7318 | 5 | Yes | 0 | 0 | No | |
| 4 | Alba | Wood | Rural | 430 | 7 | No | 0 | 0 | No | |
| 2 | Albany | Shackelford | Rural | 1921 | 6 | No | 40 | 3,019 | Yes | |
| 6 | Aldine | Harris | Urb./Exurb. | 13979 | 4 | Yes | 120 | 1,148 | No | Yes |
| 3 | Alledo | Parker | Rural | 1726 | 6 | No | 0 | 0 | No | |
| 10 | Alfred-South La | Paloma Jim Wells | Rural | 451 | 4 | No | 0 | 0 | No | Yes |

| | | | | | | | | | | |
|----|------------------------|--------------|-------------|---------|---|-----|-------|-------|-----|-----|
| 8 | Copperas Cove | Coryell | Urb./Exurb | 29592 | 5 | Yes | 0 | 0 | No | |
| 3 | Corinth | Denton | Urb./Exurb. | 11325 | 4 | Yes | 300 | 2.414 | Yes | |
| 10 | Corpus Christi | Nueces | Urb./Exurb | 277454 | 8 | No | 1671 | 0.814 | No | |
| 3 | Coral City | Denton | Rural | 89 | 4 | No | 0 | 0 | No | |
| 5 | Corrigan | Polk | Rural | 1721 | 7 | No | 0 | 0 | No | |
| 3 | Corsicana | Navarro | Rural | 24485 | 6 | No | 92 | 0.489 | No | |
| 3 | Cottonwood | Kaufman | Rural | 181 | 4 | No | 0 | 0 | No | |
| 7 | Cottonwood Shores | Bumel | Rural | 877 | 7 | No | 0 | 0 | No | |
| 11 | Colulla | La Salle | Rural | 3814 | 4 | No | 100 | 3.875 | Yes | |
| 6 | Cove | Chambers | Rural | 323 | 7 | No | 0 | 0 | No | |
| 8 | Covington | Hill | Rural | 282 | 4 | No | 0 | 0 | No | Yes |
| 12 | Coyanosa | Pecos | Rural | 138 | 4 | No | 0 | 0 | No | Yes |
| 10 | Coyote Acres | Jim Wells | Rural | 389 | 4 | No | 0 | 0 | No | Yes |
| 3 | Crandall | Kaufman | Rural | 2774 | 5 | No | 0 | 0 | No | |
| 12 | Crane | Crane | Rural | 3191 | 7 | No | 0 | 0 | No | |
| 8 | Cranfills Gap | Bosque | Rural | 335 | 5 | No | 0 | 0 | No | |
| 8 | Crawford | McLennan | Rural | 705 | 5 | No | 0 | 0 | No | |
| 7 | Creedmoor | Travis | Rural | 211 | 4 | No | 0 | 0 | No | |
| 5 | Crockett | Houston | Rural | 7141 | 5 | No | 136 | 2.664 | Yes | |
| 6 | Crosby | Harris | Rural | 1714 | 5 | No | 0 | 0 | No | Yes |
| 3 | Crosbyton | Crosby | Rural | 1874 | 6 | No | 24 | 1.91 | No | |
| 9 | Cross Mountain | Bexar | Urb./Exurb. | 1524 | 4 | Yes | 0 | 0 | No | Yes |
| 2 | Cross Plains | Callahan | Rural | 1068 | 4 | No | 28 | 3.607 | Yes | |
| 3 | Cross Roads | Denton | Rural | 603 | 4 | No | 0 | 0 | No | |
| 3 | Cross Timber | Johnson | Rural | 277 | 7 | No | 0 | 0 | No | |
| 2 | Crowell | Foard | Rural | 1141 | 6 | No | 0 | 0 | No | |
| 3 | Crowley | Tarrant | Urb./Exurb. | 7467 | 6 | Yes | 0 | 0 | No | |
| 11 | Crystal City | Zavala | Rural | 7190 | 8 | No | 80 | 1.14 | No | |
| 10 | Cuero | DeWitt | Rural | 6571 | 7 | No | 0 | 0 | No | |
| 11 | Cuevitas | Hidalgo | Rural | 37 | 4 | No | 0 | 0 | No | Yes |
| 4 | Cumby | Hopkins | Rural | 616 | 6 | No | 0 | 0 | No | |
| 6 | Cumings | Fort Bend | Urb./Exurb. | 683 | 4 | Yes | 0 | 0 | No | Yes |
| 4 | Cuney | Cherokee | Rural | 145 | 5 | No | 0 | 0 | No | |
| 5 | Cushing | Nacogdoches | Rural | 837 | 6 | No | 0 | 0 | No | |
| 6 | Cut and Shoot | Montgomery | Urb./Exurb. | 1158 | 7 | Yes | 0 | 0 | No | |
| 4 | Dangerfield | Morris | Rural | 2517 | 7 | No | 0 | 0 | No | |
| 6 | Daisetta | Liberty | Rural | 1034 | 8 | No | 0 | 0 | No | |
| 1 | Dalhart | Dallem | Rural | 7237 | 7 | No | 24 | 0.455 | No | |
| 3 | Dallas | Dallas | Urb./Exurb. | 1188580 | 5 | No | 19912 | 2.244 | Yes | |
| 3 | Dalworthington Gardens | Tarrant | Urb./Exurb. | 2186 | 4 | Yes | 0 | 0 | No | |
| 6 | Damon | Brazoria | Rural | 535 | 7 | No | 0 | 0 | No | Yes |
| 6 | Danbury | Brazoria | Rural | 1811 | 7 | No | 0 | 0 | No | |
| 1 | Darrouzett | Lipscomb | Rural | 303 | 7 | No | 0 | 0 | No | |
| 3 | Dawson | Navarro | Rural | 852 | 4 | No | 0 | 0 | No | |
| 6 | Dayton | Liberty | Rural | 5709 | 6 | No | 202 | 4.062 | Yes | |
| 6 | Dayton Lakes | Liberty | Rural | 101 | 4 | No | 0 | 0 | No | |
| 4 | De Kalb | Bowie | Rural | 1769 | 7 | No | 24 | 2.035 | Yes | |
| 2 | De Leon | Comanche | Rural | 2433 | 6 | No | 0 | 0 | No | |
| 2 | Dean | Clay | Rural | 341 | 7 | No | 0 | 0 | No | |
| 3 | Decatur | Wise | Rural | 5201 | 6 | No | 88 | 2.152 | Yes | |
| 6 | Deer Park | Harris | Urb./Exurb. | 28520 | 6 | Yes | 0 | 0 | No | |
| 11 | Del Mar Heights | Cameron | Rural | 259 | 4 | No | 0 | 0 | No | Yes |
| 11 | Del Rio | Val Verde | Rural | 33867 | 6 | No | 151 | 0.578 | No | |
| 10 | Del Sol-Loma Linda | San Patricio | Rural | 726 | 4 | No | 0 | 0 | No | Yes |

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
Inventory of Developments Placed in Service or Under Construction 1988-2006

| Project ID | HTC Type | Year | Start Date | End Date | Development Name | Address | City | County | HTC No. | Units | Year 1 | Year 2 | Priority | Notes |
|------------------|-------------------|-----------------|---------------------|----------|---|---|---------------------------|---------------------|------------------|---------------------|----------------|----------------|--------------------|--------------|
| 04113 | 5% HTC | 2004 | 07/28/04 | | Terrace Pines | 115 Krieger Tap Road | College Station | Brazos | 77645 | 1529,864 | 100 | 100 | Priority | 7 |
| | | | | | | College Station Court | | | | | | | | |
| 70010 | 5% HTC | 1990 | 1991 | | Colorado City Service | 1704 East 10th St. | Colorado City | Haskell | 75612 | 122,549 | 24 | 24 | Elderly | 0 |
| 95122 | 5% HTC | 1996 | 1998 | | Colorado City Apartments A | 2350 N. Highway 208 | Colorado City | Haskell | 75612 | 141,310 | 32 | 32 | General | 2 |
| | | | | | | Colorado City Court | | | | | | | | |
| 70101 | 5% HTC | 1990 | 1990 | | Columbus Arms | 1360 Highway 21 S | Columbus | Colorado | 75604 | 156,280 | 48 | 48 | General | 6 |
| | | | | | | Columbus Court | | | | | | | | |
| 80317 | 5% HTC | 1994 | 1994 | | Comanche Renaissance Village | 411 E. 1st | Comanche | Comanche | 76417 | 128,125 | 22 | 22 | Elderly | 2 |
| | | | | | | Comanche Court | | | | | | | | |
| 91104 | 9% HTC | 1997 | 1997 | | Oak Meadows Townhomes | 150 Maple St. | Commerce | Hunt | 75428 | 3435,426 | 72 | 71 | General | 5 |
| 04118 | 9% HTC | 2004 | 06/13/04 | | Churchill at Commerce | 731 Culver | Commerce | Hunt | 75428 | 3727,212 | 160 | 90 | General | 7 |
| 07032 | 5% HTC | 04118 | 2007 | 10/12/06 | Churchill at Commerce | 731 Culver | Commerce | Hunt | 75428 | 552,595 | 0 | 0 | General | 0 |
| | | | | | | Commerce Court | | | | | | | | |
| 93052 | 9% HTC | 1990 | 1993 | | Wishie Apartments | 825 Ave. M | Conroe | Montgomery | 77301 | 110,756 | 19 | 19 | General | 0 |
| 95056 | 9% HTC | 1995 | 1995 | | Hawthorn Place | 300 Hickerson St. | Conroe | Montgomery | 77301 | 1356,534 | 64 | 64 | Elderly | 11 |
| 95026 | 9% HTC | 1995 | 1995 | | Hollow Creek Apartments | 300 Hickerson St. | Conroe | Montgomery | 77304 | 1718,142 | 120 | 90 | General | 15 |
| 96175 | 9% HTC | 1995 | 1995 | | Park Village Apartment Homes | 1470 S. Frazier Rd. | Conroe | Montgomery | 77301 | 11,070,015 | 144 | 144 | General | 24 |
| 01420 | 4% HTC | 2001 | 04/28/01 | | Montgomery Trace Apartments | SW Corner of Bowman & Frazier St | Conroe | Montgomery | 77301 | 1662,327 | 238 | 238 | General | 0 |
| 04498 | 4% HTC | 2004 | 01/07/05 | | Park at Woodline Townhomes | 20311 Richard Road | Conroe | Montgomery | 77305 | 1675,990 | 291 | 290 | General | 14 |
| 05454 | 4% HTC | 2005 | 03/22/06 | | Lodge at Silverdale Apartment Homes | FM 1314 and Silverdale Drive | Conroe | Montgomery | 77304 | 5935,538 | 150 | 150 | Elderly | 16 |
| 060099 | 9% HTC | 2005 | 07/28/06 | | Oakcreek Apartments | 2213 N. Frazier St. | Conroe | Montgomery | 77303 | 11,077,186 | 176 | 158 | Family | 0 |
| 062421 | 4% HTC | 2005 | 08/30/06 | | Woods de Manor Senior Community | E of US 75 and west of Hempel, N. of Loop 336 | Conroe | Montgomery | 77333 | 5545,769 | 220 | 180 | Elderly | 16 |
| | | | | | | Conroe Court * | | | | | | | | |
| 060440 | 4% HTC | 2006 | 02/01/07 | | Town Square Apartments | 680 S. Seguin | Converse | Bexar | 78109 | 1730,219 | 252 | 252 | General | 18 |
| | | | | | | Converse Court * | | | | | | | | |
| 01144 | 9% HTC | 2001 | 07/31/01 | | Corinth Autumn Oaks | 3440 Corinth Parkway | Corinth | Denton | 76206 | 1330,428 | 126 | 75 | Elderly | 16 |
| 04602 | 4% HTC | 2004 | 04/07/05 | | Tower Ridge Apartments | 2560 Tower Ridge Rd | Corinth | Denton | 76210 | 1665,729 | 224 | 224 | General | 16 |
| | | | | | | Corinth Court * | | | | | | | | |
| 97050 | 5% HTC | 1997 | 1997 | | Cimarron Estates Apartments | 2602 Cimarron Blvd | Corpus Christi | Nueces | 78414 | 11,080,228 | 180 | 180 | Elderly | 11 |
| 98120 | 5% HTC | 1998 | 1998 | | South Pointe Apartments | 5725 Conita Court Drive | Corpus Christi | Nueces | 78412 | 11,085,523 | 195 | 195 | General | 32 |
| 02107 | 5% HTC | 1997 | 07/25/02 | | Windy Park Apartments | 2500 Windy Park | Corpus Christi | Nueces | 78416 | 6886,901 | 120 | 120 | General | 0 |
| 00266 | 5% HTC | 2003 | 07/20/03 | | Riversquare Apartments | 10042 River Run | Corpus Christi | Nueces | 78413 | 51,097,376 | 234 | 153 | General | 15 |
| 04290 | 5% HTC | 2004 | 07/28/04 | | L.U.A.C. Village Park | 1417 Home Road | Corpus Christi | Nueces | 78415 | 5889,475 | 152 | 152 | General | 11 |
| 05127 | 5% HTC | 2005 | 07/27/05 | | Mangabon Pointe | 5018 S. Mangabon Blvd. | Corpus Christi | Nueces | 78435 | 1530,000 | 124 | 124 | General | 0 |
| 05165 | 5% HTC | 2005 | 07/27/05 | | Hampton Point Apartments | 6130 Woodchoppe Rd. | Corpus Christi | Nueces | 78414 | 1438,549 | 110 | 110 | General | 8 |
| 05423 | 4% HTC | 2005 | 11/16/05 | | The Villas at Coastal Terrazas I | Southeast corner of I.H. 37 and State Highway 282 | Corpus Christi | Nueces | 78408 | 1330,353 | 250 | 250 | General | 25 |

LIHTC Inventory 1/5/22/2007 (Nothing for Copparras Cove) 11

MAY - 22 - 2007 13:13 FRUIT

COPPER CREEK HOMES APPLICATION # 07340



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

May 30, 2007

Copper Creek Homes
Attention: Mr. Doug Dowler
P.O. Box 635188
Nacogdoches, Texas 75961
Telephone: (936) 637-7607
Facsimile: (936) 637-7640

Re: Appeal for Copper Creek Homes #07340

Dear Mr. Dowler:

Appeal Review

I have carefully reviewed your appeal received by the Texas Department of Housing and Community Affairs (the "Department") on May 25, 2007 regarding the termination of the HOME Investment Partnerships CHDO application for the above referenced application.

The Threshold Criteria Section 8(e) (iii) of the NOFA states "The following Threshold Criteria listed in this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise: all of 2007 Qualified Allocation Plan and Rules at 10 TAC §49.9(h), excluding subsections (4)(I), (11), (12) and (15)."

In addition, Section 49.9(h)(8)(A) of the QAP states that "Evidence in the form of a certification of all of the notifications described in the subparagraphs of this paragraph. Such notices must be prepared in accordance with the "Public Notifications" certification provided in the Application. (A) Evidence in the form of a certification that the Applicant met the requirements and deadlines identified in clauses (i) - (iii) of this subparagraph."

And Section 49.9(h)(8)(B) of the QAP states "Signage on Property or Alternative. A Public Notification Sign shall be installed on the Development Site prior to the date the Application is submitted. Scattered site Developments must install a sign on each Development Site."

Mr. Doug Dowler
May 30, 2007
Page 2

Section 53.53 (j) of the State HOME Rules state "for Rental Development activities will be required to provide written notification to each of the following persons or entities 14 days prior to the submission of any application package. Failure to provide written notifications 14 days prior to the submission of an application package at a minimum will cause an application to lose its "received by date" under open application cycles, or be terminated under competitive application cycles."

Your application failed to comply with the above-cited requirements. In your appeal letter received by the Department on May 25, 2007, you agree that you did not meet the notification requirements and therefore were unable to check all four boxes, as required, on the *Certification of Notifications All Programs*. Additionally, as discussed in the Department's termination letter to you, the explanation submitted with your deficiency response and your appeal letter clearly indicate that only 1 sign was posted for the eight scattered sites. As cited above, Section 49.9(h)(8)(B) of the QAP clearly states that signs must be installed on **each** development site for scattered site developments.

In response to your request to provide one centrally located gazebo for all eight sites, Section 49.9(h)(4)(A) states, "Applications for non-contiguous scattered site housing, including New Construction, Reconstruction, Rehabilitation, and single-family design, will have the threshold test applied based on the number of Units per individual site, and must submit a certification for each individual site under control by the Applicant." If the application is reinstated by the Board of Directors, the Applicant will be required to provide a gazebo for **each** of the eight lots listed in the application and the certification that you provided in response to the deficiency notice must be revised to state that the Applicant is certifying that each of the eight lots will have a gazebo as a common amenity.

Appeal Determination

Your appeal is denied.

Pursuant to §49.17(b) of the 2007 Qualified Allocation Plan and Rules, your request for an appeal to the Board has been placed on the June 14, 2007 Board meeting agenda.

If you have questions or comments, please contact Jeannie Arellano, Director of the HOME Division at (512) 463-6164.

Sincerely,



Michael Gerber
Executive Director

2007 HOME INVESTMENT PARTNERSHIP PROGRAM ELECTION FORM

This form, submitted with my appeal to the Executive Director, is to notify the Department that I am filing a formal appeal to the Executive Director for processing.

If my appeal is denied by the Executive Director, I: (check one)

Do wish to appeal to the Board of Directors and request that my application be added to the June 14, 2007 TDHCA Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Friday, May 25, 2007 to be placed on the June 14, 2007 Board book. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Do not wish to appeal to the Board of Directors.

| | |
|----------------------|---------------------------------|
| Development Name: | Copper Creek Homes # 07340 |
| Development Address: | Copper Creek Subdivision Hwy 94 |
| Title: | Executive Director |
| Date: | 5/24/07 |

Signed:

Doug Dowler

PINEYWOODS HOME TEAM AFFORDABLE HOUSING, INC.



Po Box 635188
Nacogdoches, TX 75963
936-637-7607
Fax: 936-637-7640

Home Investment Partnership Program (HOME) Formal Appeal

Re: Copper Creek Homes #07340

Reasons for ineligibility:

- (I) Failure to meet the Certification of notification requirement in the QAP 49.9(h)8(A) and the Public Notification requirements of the State HOME Rules 53.53(j).

Explanation: Pineywoods HOME Team (PHT) did not become aware that funds were available for construction of rental housing until 2 weeks prior to time of application submission. PHT decided to submit an application for funds at which time all elected officials were notified immediately. Please see enclosed Fed Ex air bills as proof that notifications were sent out on February 20, 2007, which is only 10 days prior to application submission and not the 14 day requirement per Section 53.53(j) of the State HOME Rules. This rule did not allow us to check all four boxes as required in Volume 3, Tab 3, #2 of application.

- (II) Failure to meet the Signage on property requirement in the QAP 49.9(h)8(B)

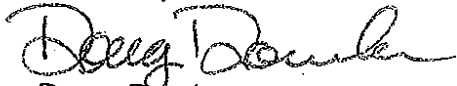
Explanation: The proposed development site is a total of eight lots all located on the same street all within the same block. PHT installed one sign for all eight lots due to the fact that all were in close proximity of one another. We were unaware the QAP required us to install separate signs on each lot, since it is considered all one site. The installation of four to eight signs would have placed a financial strain on the project. The approximate cost of eight signs would have totaled \$2,800 and four signs \$1,400. Please see enclosed site plan of proposed development for location of lots.

In reference to Volume 3, Tab 1, Part C, Part #2 Unit Amenities. The proposed

development is 8 sites, which makes it difficult to provide any of the amenities required. The only amenity that would be feasible for this type of project would be the gazebo; however we are asking permission to construct only one centrally located gazebo for all eight sites.

There is a great demand for affordable rental housing in the East Texas area. As proof of this statement PHT has enclosed the waiting list for families needing rental housing within the Lufkin area. Pinewoods HOME Team is asking TDHCA, it's Executive Director and Board of Directors to consider the circumstances of the above explanations and reverse the decision in determining the Copper Creek Home application as ineligible.

Sincerely,

A handwritten signature in cursive script that reads "Doug Dowler".

Doug Dowler
Executive Director



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

May 24, 2007

Mr. Doug Dowler
P.O. Box 635188
Nacogdoches, Texas 75961
Telephone: (936) 637-7607
Telecopier: (936) 637-7640

Re: Copper Creek Homes# 07340

Dear Mr. Doug Dowler:

On March 1, 2007, an application was submitted for the above-referenced development for an award of HOME Investment Partnerships funds. It has been determined that the application is ineligible for the following reasons:

(I) Failure to meet the Certification of Notification requirement in the QAP §49.9(h)8(A) and the Public Notification requirements of the State HOME Rules §53.53(j).

(II) Failure to meet the Signage on Property requirement in the QAP §49.9(h)8(B).

The Threshold Criteria Section 8(e) (iii) of the NOFA states "The following Threshold Criteria listed in this subsection are mandatory requirements at the time of Application submission unless specifically indicated otherwise: all of 2007 Qualified Allocation Plan and Rules at 10 TAC §49.9(h), excluding subsections (4)(I), (11), (12) and (15)."

In addition, Section 49.9(h)(8)(A) of the QAP states that "Evidence in the form of a certification of all of the notifications described in the subparagraphs of this paragraph. Such notices must be prepared in accordance with the "Public Notifications" certification provided in the Application. (A) Evidence in the form of a certification that the Applicant met the requirements and deadlines identified in clauses (i) - (iii) of this subparagraph."

And Section 49.9(h)(8)(B) of the QAP states "Signage on Property or Alternative. A Public Notification Sign shall be installed on the Development Site prior to the date the Application is submitted. Scattered site Developments must install a sign on each Development Site."

Section 53.53 (j) of the State HOME Rules state "for Rental Development activities will be required to provide written notification to each of the following persons or entities 14 days prior to the submission of any application package. Failure to provide written notifications 14 days prior to the submission of an application package at a minimum will cause an application to lose its "received by date" under open application cycles, or be terminated under competitive application cycles."

Your application failed to comply with the above-cited requirements. In your response to the Deficiency Notice dated 5/10/2007, you provided a certification that the Applicant did not meet the notification requirements. Additionally, the explanation and site plan submitted with your deficiency response clearly indicates only 1 sign was posted for the eight scattered sites. Although the sites are located in a single subdivision, the lots are not contiguous and therefore, required at least four separate signs to be installed prior to the date of application submission.

Therefore, please be informed that pursuant to §53.53(j) of the Department's 2006 HOME Rules and §49.9(h)(8)(A) and (B) of the QAP, the Department has terminated the referenced HOME application and no further action will be taken.

Please be aware that an Appeals Policy exists for the HOME Program. If you wish to appeal this application termination decision, you must appeal to the Executive Director no later than 5:00 pm on or before seven days following the date of this notice. The restrictions and requirements relating to the filing of an appeal can be found in Title 10 Texas Administrative Code §1.7.

Additionally, the certification you provided in response to *Item 9 Common Amenities* of the Deficiency Notice states that the gazebo will be "available for all eight sites." Please note, if the application is reinstated by the Executive Director or the Board of Directors the Applicant will be required to provide a gazebo for **each** of the eight lots listed in the application and the certification that you provided in response to the deficiency notice must be revised to state that the Applicant is certifying that each of the eight lots will have a gazebo as a common amenity.

If you have any questions, please do not hesitate to me at jeannie.arellano@tdhca.state.tx.us or 512.463.6164.

Sincerely,



Jeannie Arellano
Director of the HOME Division

JA:bs



Pineywoods HOME Team

May 16, 2007

Texas Department of Housing and Community Affairs
HOME Multifamily Division
Ben Sheppard

RE: TDHCA Number 07340, Copper Creek Homes

The deficiency notice dated 5/10/07 items have been addressed in the enclosed documentation. If there is any additional information please feel free to contact us.

Item 19, Volume 3, Tab 3: "The QAP requires that scattered site developments install a sign on each site. It is not clear if this requirement was met. Submit a lot map clearly marking the location of each sign installed. All signs must have been installed by March 1, 2007."

While there are 8 lots where units will be placed, there is only one site. The subject lots are located in a single subdivision, all on the same street, and all in the same block. Pineywoods Home Team originally purchased the entire subject site but is only submitting for this application the individual lots. We have corrected the application to reflect a single site, and included a plat to show the location of the signage. In accordance with the requirement the signage was placed prior to 3/1/07.

Item 21: "It appears that you are claiming more acquisition costs on the development cost schedule than justified by the settlement statement. Provide an explanation. Since an appraisal was not submitted, the acquisition cost utilized can not exceed the original acquisition cost listed in the settlement statement."

The acquisition cost estimated in the development cost schedule includes the original price of the lots plus closing, Attorney, settlement, interest and bank fees. This cost for acquisition is based upon §49.9(h)(7)(A)(iv)(II)(b)-(1-) 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.

It does appear that an appraisal would be required to meet this section as well. We did not realize this and have ordered an appraisal. If necessary we can reduce the development cost schedule to reflect the settlement cost price per lot (i.e. \$10,000) or we can submit the appraisal as soon as we receive it. We have enclosed documentation reflecting the \$14,000 per lot cost that is submitted in the Development Cost Schedule.

The other items in the deficiency notice are addressed in the following documentation
Thanks for your help.

Doug Dowler, Executive Director
Pineywoods HOME Team

Volume 3, Tab 3

Certification of Notifications (Sections A-C) All Programs

All four of the notification requirements were not met because the Neighborhood Organization request was received by the local official on February 21, 2007 which was later than the required 21 days prior to the threshold documentation. Pineywoods HOME Team made the decision to submit a HOME application only 14 days prior to application deadline.


Doug Dowler

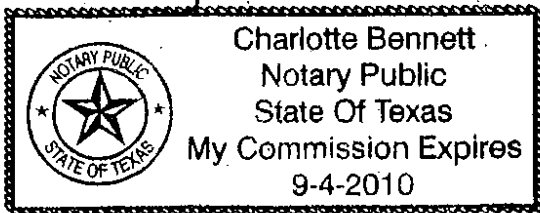
5/14/07
Date

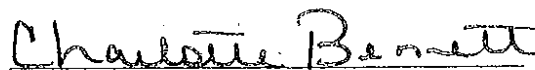
THE STATE OF TEXAS

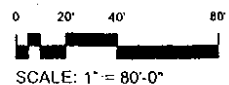
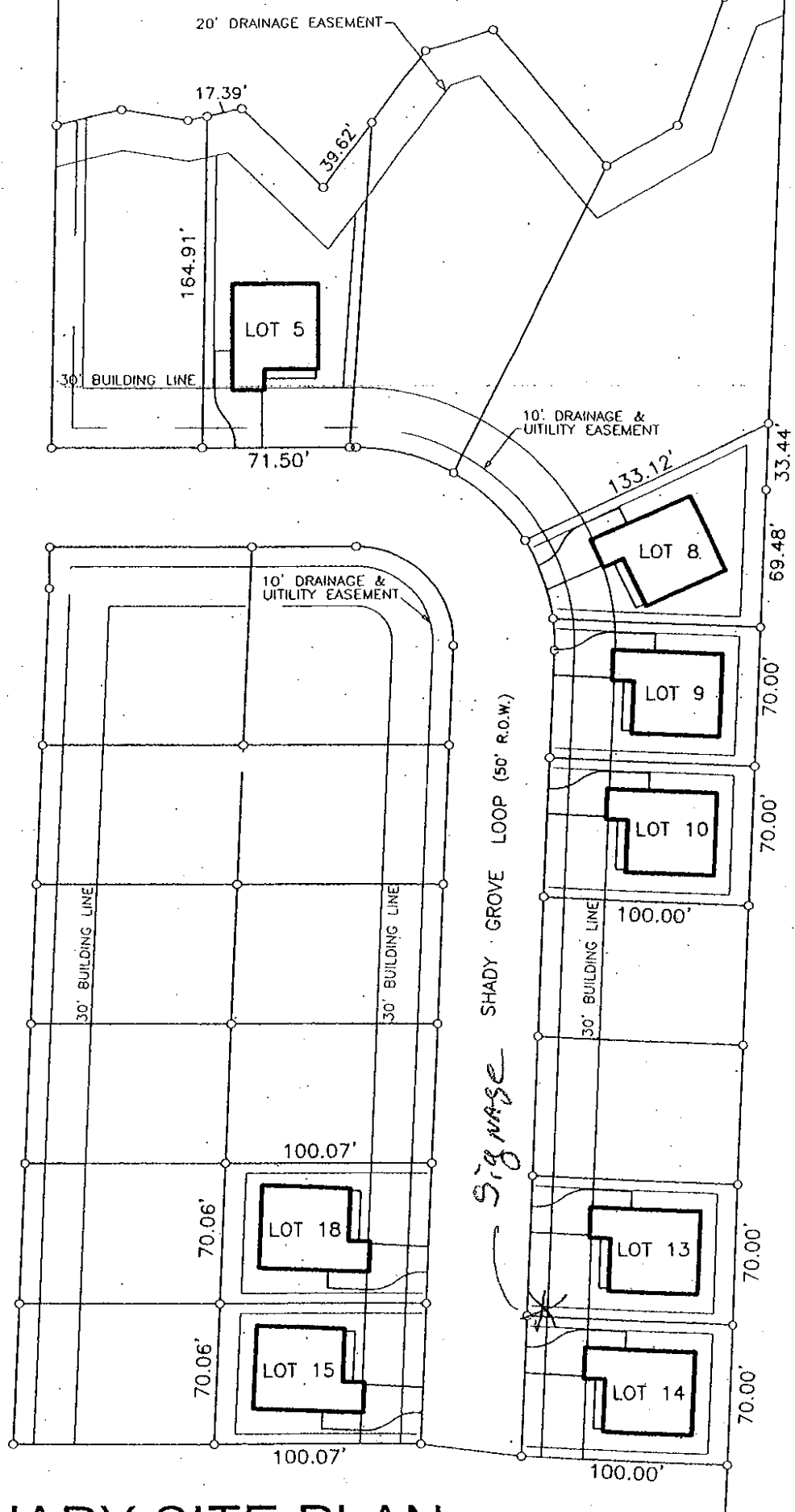
COUNTY OF ANGELINA

BEFORE ME, the undersigned authority, a Notary Public, in and for Angelina County, Texas, on this day personally appeared Doug Dowler, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he/she executed the same for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE, this the 14th day of May, 2007.

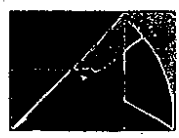



Notary Public, State of Texas



PRELIMINARY SITE PLAN

COPPER CREEK DEVELOPMENT
HUDSON, TX



SCOTT AND STRONG
ARCHITECTS INTERIOR DESIGN
1609 S. CHESTNUT LUFKIN, TEXAS
(936) 634-4475 SUITE 104 75901

SITE ATTRIBUTES

Total Acquisition
Acreage: 1.40

Development Site
Acreage: 1.40

Units per
Acre: 8 5.71

Single Site Contiguous Multiple Sites (# Sites: 8)

Scattered Sites (# Sites:) **

** Note: If Scattered Site, submit evidence of scattered site pursuant to ASPM behind this tab.

DEVELOPMENT ATTRIBUTES *Selections must be consistent with submitted architectural plans*

of Residential Buildings: 8

Maximum # of Floors: 1

Configuration: Duplex Fourplex

Single family construction

Townhome >4 units per building

SRO (per §42(i)(3)(B))

Transitional (per §42(i)(3)(B))

Fire Sprinkler in all residential areas

of Hydraulic/___-Passenger Elevators:

EXTERIOR *Selections must be consistent with submitted architectural plans*

Subfloor

- Wood
- Concrete Slab
- Other (*Describe*)

Walls

- % Plywood/Hardboard
- % Vinyl or Aluminum Siding
- 100 % Masonry Veneer
- % Fiber Cement Siding
- % Stucco
- % Other (*Describe*)

Parking

- 8 Shed or Flat Roof Carports
- Detached Garages
- Uncovered Spaces
- Parking Garage Spaces

Roofs

- Built-Up Tar and Gravel
- Comp. Shingle
- Comp. Roll
- Elastomeric
- Wood Shake
- Other (*Describe*)

INTERIOR *Selections must be consistent with submitted architectural plans*

Flooring

- 40 % Carpet
- 60 % Resilient Covering
- % Ceramic Tile
- % Light Concrete
- % Other (*Describe*)

Air System

- Forced Air
- Furnace
- Hot Water
- Warm and Cooled Air
- Heat Pump, packaged
- Wall Units
- Other (*Describe*)

Walls

- Drywall
- Plaster
- ___-Foot Ceilings


Other

- Washer and Dryers onsite (#)
- Fireplace included in All Units
- Fireplace onsite (#)
- Other (*Describe*)

Copper Creek Homes

TDHCA Number 07340

This certifies that the above referenced development will include amenities of a gazebo with sitting area. This amenity will be available for all eight sites.



Doug Dowler

2/26/07
Date

Part 2. Amenities for selection include those items listed below. 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(h)(4)(D), (F) and (G) of the QAP. 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.

Select All That Apply:

- Accessible walking/jogging path separate from a sidewalk (1 point);
- Barbecue grills and picnic tables – at least one of each for every 50 Units (1 point);
- Community Dining Room w/full or warming kitchen - Only Qualified Elderly Developments Eligible (3 points);
- Community laundry room with at least one front-loading washer (1 point);
- Controlled gate access (1 points);
- Covered pavilion that includes barbecue grills and tables (2 points);
- Enclosed sun porch or covered community porch/patio (2 points);
- Emergency 911 telephones accessible and available to tenants 24 hours per day (2 points);
- Equipped and functioning business center or equipped computer learning center with one computer for every thirty units proposed in the Application, one printer for every three computers (with a minimum of one printer), and one fax machine (2 points);
- Full perimeter fencing (2 points);
- Furnished Community room (1 point);
- Furnished fitness center (2 points);
- Gazebo w/sitting area (1 point);
- Health Screening Room (1 point);
- Horseshoe pit, putting green or shuffleboard court – Only Qualified Elderly Developments Eligible (1 point);
- Library with accessible sitting areas (separate from the community room) (1 point);
- One children's Playscape equipped for 5 to 12-year-olds or one Tot Lot--Only Family Developments Eligible (1 Point)
- Secured Entry (elevator buildings only) - (1 point);
- Senior Activity Room (Arts and Crafts, etc.) – Only Qualified Elderly Developments Eligible (2 points);
- Service coordinator office in addition to leasing offices (1 point);
- Swimming pool (3 points);
- Two Children's Playscapes Equipped for 5 to 12 year olds, two Tot Lots, or one of each - Only Family Developments Eligible (2 points);
- Furnished and staffed Children's Activity Center - Only Family Developments Eligible (3 points);
- Sport Court (Tennis, Basketball or Volleyball) - Only Family Developments Eligible (2 points); or

By:  02/26/2007h Its: Executive Director
Signature of Applicant/Owner *Date*

CERTIFICATION OF NOTIFICATIONS (SECTIONS A-C) ALL PROGRAMS

Section A: Pursuant to §49.9(h)(8)(A) and/ or other applicable Rules, evidence of notifications includes this sworn affidavit and the *Public Notifications and Information Certification Form* (submitted in Volume 1, Tab 9).

All Applicants, or persons with signing authority must complete either Part 1 or Part 2 below:

1. Must Accurately Check Below if a Pre-Application was Submitted:

I (We) certify that (If this box is checked, proceed to Section B, below)

- 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, and no additional notification was required at Application, or
- A Pre-Application was submitted for this same Application and satisfied the Department's review of Pre-Application Threshold, but all required entities were re-notified as required by §49.9(h)(8)(A) and/ or other applicable Rules, because I (we) have submitted a change in the Application, whether from Pre-Application to Application or as a result of a deficiency that reflects a total Unit increase of greater than 10%, an increase of greater than 10% for any given level of AMGI, a change in the population being served (elderly, Intergenerational Housing or family), or the change of an elected official. As applicable, all changes in the Application have been made on the *Public Notifications Information and Certification Form*.

2. Must accurately check all four boxes below (must complete this section only if a Pre-Application was not submitted, or if the Pre-Application did not satisfy the Department's review of Pre-Application threshold):

I (We) certify that all required requests for Neighborhood Organizations pursuant to §49.9(h)(8)(A)(i) and/ or other applicable Rules, were made in the format required in the *Neighborhood Organization Request* template by January 15, 2007, or for HOME, Tax Exempt Bond and Rural Rescue Developments no later than 21 days prior to the submission of the Threshold documentation.

I (We) certify that

- No reply letter was received from the local elected officials by February 25, 2007 (or for HOME, Tax Exempt Bond and Rural Rescue Developments by 7 days prior to the submission of the Application), and/ or
- A response was received from the local elected officials before February 25, 2007, (or for HOME, Tax Exempt Bond and Rural Rescue Developments by 7 days prior to the submission of the Application) and I have notified those neighborhood organizations as required by and §49.9(h)(8)(A)(ii)(I) and/ or other applicable Rules, and/ or
- I have knowledge of other neighborhood organizations on record with the city, state or county whose boundaries contain the proposed Development site and have notified those neighborhood organizations as required by §49.9(h)(8)(A)(ii)(I) and/ or other applicable Rules, and/ or
- I know of no neighborhood organizations within whose boundaries the Development is proposed to be located and/ or
- The local elected officials referred me (us) to another source, and I (we) requested neighborhood organizations from that source. If a response was received, those neighborhood organizations were notified as required by §49.9(h)(8)(A) and/ or other applicable Rules. Date Mailed _____
- All neighborhood organizations that were notified are correctly listed on the *Public Notifications Information and Certification Form* and all notifications were made in the format provided in the template, *Public Notifications Format (Written)*. Date Mailed _____

I (We) certify that, in addition to all of the required neighborhood organizations, the following entities were notified in accordance with § 49.9(h)(8)(A)(ii) and/ or other applicable Rules. The notifications were in the format provided in the template, *Public Notifications Format (Written)*. All of the following entities were notified and are correctly listed on the *Public Notifications Information and Certification Form*:

- Superintendent of the school district containing the Development;
- Presiding officer of the board of trustees of the school district containing the Development;
- Mayor of any municipality containing the Development;
- All elected members of the governing body of any municipality containing the Development;
- Presiding officer of the governing body of the county containing the Development;
- All elected members of the governing body of the county containing the Development;
- State senator of the district containing the Development; and
- State representative of the district containing the Development.

While not required to be submitted in this Pre-Application, I have kept evidence of all notifications made and this evidence may be requested by the Department at any time during the Application review.

Section B: This section must only be completed if mailings were completed in lieu of posting signage on the Development site:

I (We) certify that pursuant to Section 49.9(h)(B) and/ or other applicable Rules, and have elected to mail written notifications that the notice was mailed through the U.S. Postal Service on _____ (date of mailing), and these notifications contained all required in the *Public Notifications Format (Written)*.

Section C: This section must only be completed if the Application is for rehabilitation of an existing property that was occupied at the time of Application submission:

I (We) certify Units in the Development are occupied at the time of Application, and have notified each tenant at the Development and let the tenants know of the Department's public hearing schedule for comment on submitted Applications. If the public hearing schedule is not available at the time of Application submission, and WILL notify all tenants of the Department's public hearing schedule for comment on submitted Applications.

Section D: This section must all HTC Applications, regardless of the Issuer:

I (We) certify that if this is a Competitive Housing Tax Credit Application, the public notification sign was installed as of March 1, 2007 and that the TDHCA public hearing information (i.e. time, date and location) was posted to the sign (the TDHCA public hearing information will be updated on the Department's website by February 15, 2007 and the updated information will be disseminated to all persons on the Department's Listserve.); or for Tax Exempt Bond Developments, the public notification sign was installed, regardless of Priority, within thirty (30) days of the Department's receipt of Volumes I and II AND the bond public hearing information (i.e. time, date and location) was posted to the sign at least thirty (30) days prior to the hearing date.

By: 
Signature of Applicant/Owner

2/26/07
Date

Its: 
Executive Director

STATE OF: Texas
COUNTY OF: Angelina

PARKWOOD APARTMENTS APPLICATION # 07343



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

May 23, 2007

Lake Victor Housing, Ltd.
Mr. Dennis Hoover
P.O. Box 190
Burnet, Texas 78611
Telephone: (512) 756-6809
Telecopier: (512) 756-9885

Re: Parkwood Apartments # 07343

Dear Mr. Dennis Hoover:

On March 1, 2007, an application was submitted for the above-referenced development for an award of HOME Investment Partnerships funds. It has been determined that the application is ineligible for the following reasons:

(I) Failure to cure an Administrative Deficiency within seven business days.

Pursuant to § 53.58 (c) of the HOME Rules " 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."

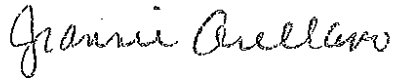
Your application failed to comply with the above-cited requirement. In your response to the Deficiency Notice dated 5/10/2007, you failed to provide Participants in the Application Information Parts D and E for Dixie Hoover in accordance with the requirements of §49.9 (h)(9)(C).

Therefore, please be informed that pursuant to §53.58(c) of the Department's 2006 HOME Rules the Department has terminated the HOME application and no further action will be taken.

Please be aware that an Appeals Policy exists for the HOME Program. If you wish to appeal this application termination decision, you must appeal to the Executive Director no later than 5:00 pm on or before seven days following the date of this notice. The restrictions and requirements relating to the filing of an appeal can be found in Title 10 Texas Administrative Code §1.7.

If you have any questions, please do not hesitate to me at jeannie.arellano@tdhca.state.tx.us or 512.463.6164.

Sincerely,



Jeannie Arellano
Director of the HOME Division

JA:bs

Kim Treiber

From: Ben Sheppard [ben.sheppard@tdhca.state.tx.us]
Sent: Monday, May 21, 2007 6:46 PM
To: Dennis Hoover; Kim Treiber
Subject: Lake Victor Housing

Robbye said that we do require the Part D Previous Participation Certifications from each owner on the limited partner side of the development owner (i.e. BHHH and the Trust) unless a minor or permanently incapacitated. If a member is ill, we still require the form. Also, at minimum with regard to Part E of the Previous Participation Forms, if the members of the trust may be named in association with a form that is for the trust as a whole if those members do not individual previous participation that differs from the participation of the trust. There must be a statement naming each person and stipulating that participation outside the trust has not occurred. With respect to BHHH, the normal forms must be submitted, the same as for any other owner, as originally required.

As you know, 5 pm tomorrow is the final deadline for this application.

Ben Sheppard
Multifamily Finance Production
Phone: (512) 475-2122
Fax: (512) 475-1895

5/24/2007

LAKE VICTOR HOUSING, LTD
Parkwood Apartments TDHCA #07343
P. O. BOX 190
BURNET, TEXAS 78611
512-756-6809
FAX: 512-756-9885

May 30, 2007

Mike Gerber
TDHCA
Austin, Texas

Re: Appeal dated 5-24-07
Parkwood Apartments
TDHCA # 07343

Dear Mr. Gerber,

In regards to the determination letter dated May 23, 2007, we are here by appealing the termination of the HOME application and ask for further review of the circumstances leading up to the deficiency.

I have attached to this request for your review, a copy of an email with the date and time of when we received the determination to the question concerning whom we actually needed to prepare a Part D and E of the Previous Participation Certifications and Forms for. The question was if TDHCA would actually need these for the non-voting shareholders who were listed under the two trusts that are part of the ownership of BHHH, Inc. BHHH, Inc. has 49% ownership of the Limited Partnership "Lake Victor Housing, Ltd."

When we received the determination we quickly prepared them for the non-voting shareholders that were not minors or disabled. These were sent in by 4:49 on Tuesday the 22nd. I received a reply from TDHCA at 5:01 that they had not received one for Dixie Farmer. After receiving this email the next day, I promptly emailed a copy of the form for Dixie Farmer to TDHCA the next morning to make certain that they had it. Thinking all the time that there was already one on file for Ms. Farmer.

We would really like the opportunity to discuss this further. It is our understanding that there are no other HOME loans in the application process anymore. We feel it important to pursue this application. There is a real need for this money for rehabilitation for the Parkwood Apts.

Thank you in advance for your consideration.

Sincerely,



Kim Treiber
Development Coordinator
Hamilton Valley Management, Inc.
(512) 756-6809 Ext. 218
(512) 756-9885 Fax
kimtreiber@hamiltonvalley.com

TDHCA #
07343

2007 HOME INVESTMENT PARTNERSHIP PROGRAM ELECTION FORM

This form, submitted with my appeal to the Executive Director, is to notify the Department that I am filing a formal appeal to the Executive Director for processing.

If my appeal is denied by the Executive Director, I: (check one)

Do wish to appeal to the Board of Directors and request that my application be added to the June 14, 2007 TDHCA Board of Directors meeting agenda. My appeal documentation, which identifies my specific grounds for appeal, is attached. I understand that my Board appeal documentation must still be submitted by 5:00 p.m. Friday, May 25, 2007 to be placed on the June 14, 2007 Board book. If no documentation is submitted, the appeal documentation to the Executive Director will be utilized.

Do not wish to appeal to the Board of Directors.

| | |
|----------------------|---|
| Development Name: | Parkwood Apartments |
| Development Address: | 114 West 10 th Street Wixon, TX. 78140 |
| Title: | General Partner |
| Date: | 5-24-07 |

Signed:

Demetrius Hoover

Lake Victor Housing, Ltd. Organizational Chart
Tax I.D. #74-2157485

General Partner
Dennis Hoover
SSN
10%

Limited Partner
John Hoover— 41%
SSN

&

The BHHH Companies, INC— 49%
74-2475645

(John Hoover— Director 6.9%)

(Dennis Hoover—Sec/Treas .10%)

(Hoover Grand Children Trust—33%)

Hannah Farmer 10%-Disabled

Benjamin Farmer 10%

Paul Farmer 10%

Emily Farmer 10%

Laura Hoover 12%-Student

Carrie Hoover 12%-Student

Amy Hoover 12%-Student

Deanna Hoover 12%-Minor

Cory Hoover 12%-Minor

(4-H Trust—60%)

Dennis Hoover 25%

Danna Hoover 25%

Debra (Hoover) Ligon 25%-Disabled

Dixie (Hoover) Farmer 25%



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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May 23, 2007

Lake Victor Housing, Ltd.
Mr. Dennis Hoover
P.O. Box 190
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Telephone: (512) 756-6809
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Re: Parkwood Apartments # 07343

Dear Mr. Dennis Hoover:

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(I) Failure to cure an Administrative Deficiency within seven business days.

Pursuant to § 53.58 (c) of the HOME Rules " 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."

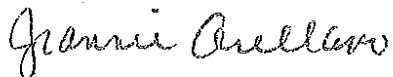
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Therefore, please be informed that pursuant to §53.58(c) of the Department's 2006 HOME Rules the Department has terminated the HOME application and no further action will be taken.

Please be aware that an Appeals Policy exists for the HOME Program. If you wish to appeal this application termination decision, you must appeal to the Executive Director no later than 5:00 pm on or before seven days following the date of this notice. The restrictions and requirements relating to the filing of an appeal can be found in Title 10 Texas Administrative Code §1.7.

If you have any questions, please do not hesitate to me at jeannie.arellano@tdhca.state.tx.us or 512.463.6164.

Sincerely,

A handwritten signature in cursive script that reads "Jeannie Arellano".

Jeannie Arellano
Director of the HOME Division

JA:bs

DISASTER RECOVERY DIVISION

BOARD ACTION REQUEST

June 14, 2007

Action Item

Presentation, discussion and possible approval of Texas Department of Housing and Community Affairs Affordable Housing Pilot Program (AHPP) Program Strategy

Required Action

Approval of the Texas Department of Housing and Community Affairs Affordable Housing Pilot Program (AHPP) Program Strategy

Background

On December 22, 2006, the Federal Emergency Management Agency (FEMA) announced the Texas Department of Housing & Community Affairs (TDHCA or Department) was pre-selected to receive an award of \$16,471,725 for the Affordable Housing Pilot Program (AHPP). The purpose of the AHPP is to demonstrate an alternative housing solution to the FEMA trailer in the areas affected by the 2005 Hurricanes for a time period of twenty-four months. A one-time exemption to the Stafford Act, AHPP permits the use of FEMA funding to study alternatives to the FEMA trailer by examining cost-effective solutions that meet a variety of housing needs. Pursuant to FEMA requirements, the pre-fabricated units must be awarded within the 22 counties affected by the 2005 Hurricanes.

From the six projects submitted on behalf of the State of Texas, the Heston Group was selected to pilot a pre-fabricated, panelized solution which can be deployed quickly and built to accommodate a diverse population. According to the Heston Group, an *estimated* average price of each pre-fabricated unit is \$77,500.

Prior to receiving the formal award of the AHPP grant from FEMA, the Department must submit a 10-page summary of the Department's Program Implementation Plan, a Draft FEMA AHPP Budget, and additional supportive documentation. The following sections reflect staff's proposed strategy for program implementation for the Board's consideration.

Summary of Proposed Staff AHPP Program Strategy

Overall Summary: Funds Available

- § The Department was preliminarily awarded \$16,471,725, and of that total award \$1,647,173 may be used for administrative costs. The \$1,647,173 in administrative funds is available to fund TDHCA's oversight responsibilities necessary to monitor this program, and any other administrative costs identified by FEMA. The Department has received FEMA approval for an increase in the 'pot' of Administrative Funds, if needed, which allows TDHCA to pay for a contract with a third-party organization to perform the required site inspections for the FEMA Units without violating the 10% maximum of administrative funds.

Overall Summary: Project Plan

1. Award to Harris County Housing Authority:

- § With approval, the Department will transfer an estimated 30 of these units to the Harris County Housing Authority. Harris County, as a subrecipient of the funds, will provide management oversight and will be responsible for reporting to TDHCA. TDHCA will monitor Harris County as a subrecipient, and will report to FEMA. This portion expends an estimated \$2,250,000 of the total award.

- § The Harris County Housing Authority will be responsible for ensuring that all program requirements are met, including the following requirements:
 - The Harris County units are considered “temporary housing units” for the purposes of the pilot program, and must be moved or redeployed during the two-year period of performance. Pursuant to the objectives of the pilot program, FEMA will use the data to better serve victims of future disasters;
 - The units will be located on one site located within Harris County (to be identified by Harris County Housing Authority);
 - The units must be built on land owned by Harris County (unless approved by the Board, eligible costs do not include land acquisition or costs for a land lease);
 - The land may not be in a flood zone; and,
 - The units must be occupied by eligible households in the following priority order, as required by FEMA:
 - § Priority 1: Disaster victims who are pre-disaster residents of that State, and are currently eligible for FEMA financial or direct housing assistance.
 - § Priority 2: Disaster victims who are pre-disaster residents of that State, and currently receive Federal disaster housing assistance through other federal programs.
 - § Priority 3: Any other person in the state with on-going housing needs.

As of February 2007, Harris County had nearly 12,000 households receiving FEMA temporary housing assistance in the form of rental assistance vouchers. It should be noted that FEMA has recently announced that temporary housing assistance programs for Gulf Coast hurricane victims living in apartments, trailers or mobile homes have been extended by 18 months until March 2009. As a result, households in Harris County that would qualify as Priority 1 will continue to receive rental assistance through 2009, and will be less-likely to have a need for these units. Therefore, it is anticipated that Harris County may have difficulty occupying units with Priority 1 households.

2. Award to Individual Households with Greatest Need

- § The Department will award the remaining funds (estimated \$12,574,552) to an estimated 130-170 individual households currently living in FEMA trailers whose homes were 100% destroyed by Hurricane Rita. Under this option, the per-unit cost will most likely increase because of the cost of transporting to 130-170 separate sites; however, the Department believes that this is reasonable because the units will house Priority 1 victims of Hurricane Rita. The disposition of the units will provide long-term housing assistance to the families served and will become ‘permanent’ and granted to the families. Although these homes are re-usable, final disposition will be left to the individual recipients of units.
- § The awards for these units would be determined based on the threshold requirements:
 - The households must own land where the structure will be erected;
 - The site must be found acceptable;
 - The land must not be in a flood zone; and,
 - The households must currently live in a FEMA trailer, and the home that the households lived in at the time of the storm was 100% destroyed in the hurricane (could have been demolished due to inhabitability).

- § Once each household is determined to meet the minimum threshold requirements, they will be awarded in order of lowest household income, as determined by FEMA. For example, if there are 225 eligible households, we will award the household with the lowest income first, then the second lowest income, etc., until all of the funds are completely utilized. If there happen to be funds remaining after this method, they would go to Harris County.
- § FEMA has agreed to provide the Department with an employee to help with the implementation of the program (100% paid for by FEMA). Therefore, the Department will utilize the FEMA staff to help determine eligible households, and to provide us with household income data.
- § To date, FEMA has provided TDHCA with household data of a general nature for households in the 22 counties. For the Board's information, staff has provided that information in the attached table, "Data Regarding Owners of Destroyed Homes in Travel Trailers as of 05/18/07."

Staff Recommendation

Approve the FEMA Affordable Housing Pilot Program (AHPP) Program Strategy as recommended by staff.

FEMA Data Regarding Owners of Destroyed Homes in Travel Trailers as of 05/18/07

Total of 283 households (“HH”) living in Travel Trailers that were homeowners of destroyed homes

| County | Households | Elderly Household | Trailer is Located in a Floodplain | # Of Members of HH | Average HH Income | Avg. HH Size | HH Income Range = \$0 to \$7,500 | HH Income Range = \$7,501 to \$30,650 | HH Income Range = \$30,651 to \$74,200 | HH Income Range = Above \$74,200 |
|--------------|------------|-------------------|------------------------------------|--------------------|---------------------|--------------|----------------------------------|---------------------------------------|--|----------------------------------|
| Angelina | 2 | 1 | 0 | 5 | \$ 14,064.00 | 2.5 | 1 | 1 | 0 | 0 |
| Chambers | 4 | 1 | 1 | 12 | \$ 12,644.00 | 3.0 | 1 | 2 | 0 | 0 |
| Hardin | 25 | 8 | 2 | 55 | \$ 19,028.64 | 2.2 | 7 | 15 | 2 | 1 |
| Jasper | 39 | 7 | 2 | 96 | \$ 14,965.95 | 2.5 | 13 | 21 | 5 | 0 |
| Jefferson | 53 | 17 | 28 | 97 | \$ 25,250.88 | 1.8 | 14 | 24 | 9 | 1 |
| Liberty | 8 | 0 | 1 | 15 | \$ 19,800.00 | 1.9 | 2 | 4 | 1 | 0 |
| Montgomery | 1 | 1 | 0 | 2 | \$ 10,632.00 | 2.0 | 0 | 1 | 0 | 0 |
| Newton | 27 | 9 | 0 | 59 | \$ 22,653.19 | 2.2 | 5 | 15 | 6 | 1 |
| Orange | 85 | 20 | 26 | 188 | \$ 17,927.29 | 2.2 | 21 | 44 | 17 | 0 |
| Polk | 9 | 1 | 1 | 16 | \$ 10,717.33 | 1.8 | 3 | 6 | 0 | 0 |
| Sabine | 1 | 1 | 0 | 3 | \$ 22,224.00 | 3.0 | 0 | 1 | 0 | 0 |
| San Jacinto | 3 | 1 | 0 | 5 | \$ 14,880.00 | 1.7 | 0 | 3 | 0 | 0 |
| Tyler | 26 | 10 | 0 | 53 | \$ 16,498.08 | 2.0 | 9 | 12 | 5 | 0 |
| TOTAL | 283 | 77 | 61 | 606 | \$ 17,021.95 | 2.2 | 76 | 149 | 45 | 3 |

Breakdown of 283 households by percentage:

| | |
|---|------------|
| Over 60 | 27% |
| Within 100 year flood plain | 22% |
| Those that have 2 Travel Trailers | 4% |
| Income between \$0 - \$7,500 | 27% |
| Income between \$7,501 - \$30,650 | 53% |
| Income between \$30,651 - \$74,200 | 16% |
| Income above \$74,200 | 1% |

Breakdown by percentage of households in each county:

| | |
|--------------------|------------|
| Angelina | 1% |
| Chambers | 1% |
| Hardin | 9% |
| Jasper | 14% |
| Jefferson | 18% |
| Liberty | 3% |
| Montgomery | 1% |
| Newton | 9% |
| Orange | 30% |
| Polk | 3% |
| Sabine | 1% |
| San Jacinto | 1% |
| Tyler | 9% |

PORTFOLIO MANAGEMENT AND COMPLIANCE DIVISION

BOARD ACTION REQUEST

June 14, 2007

Action Item

Presentation, discussion and possible approval of requests for amendments to HOME Investment Partnerships Program (HOME) contracts involving modifications that significantly decrease the benefits to be received by the Department.

Requested Action

Approve or deny the requests for amendments.

Background

The 2006 HOME Rules in the Texas Administrative Code, Title 10, Part 1, Chapter 53, Rule §53.62(b)(3), state that modifications and/or amendments that increase the dollar amount by more than 25% of the original award or \$50,000, whichever is greater, or in the estimation of the Executive Director significantly decrease the benefits to be received by the Department, will be presented to the Board for approval.

Department policy requires that the commitment and expenditure rates of each contract be analyzed when processing extension requests. Extension requests will only be considered by the Department to complete activities that are in process and that have been committed in the TDHCA Contract System. Commitment is defined as contract funds that have been pledged to an eligible household. These funds must be entered electronically into the TDHCA Contract System by the Administrator, and the funds must be approved electronically by the Department in the TDHCA Contract System. Before commitments are entered in the TDHCA Contract System all household and budget information must be verified by the Administrator. Documentation must be submitted to the Department to substantiate the commitment of funds.

City of La Feria Contract Number 542061

Summary of Request

The City of La Feria (City) was previously permitted an amendment to extend the contract end date as a result of delays in contract administration. The contract start date was September 1, 2003; the first amendment was executed on January 15, 2006 extending the end date of the contract for nine (9) months, from September 30, 2005 to June 30, 2006. The first amendment also reduced the required households from twenty (20) to ten (10), resulting in deobligated funds of \$104,416. The match requirement was also reduced pro rata from \$3,984 to \$2,490.

The City is requesting a second amendment to further extend the end date of their contract for two (2) additional months from June 30, 2006 to August 31, 2006. The City states that because assistance was provided to two (2) households after the extended contract end date, the expenditures are not eligible for reimbursement. Department procedures do not allow for the payment of these expenses without an extension to the contract end date. The City also requests that the Department allow funds to be reimbursed for two additional households that were assisted within the contract period, but reimbursement was requested past the sixty (60) days normally allowed for draw reimbursement.

| | Units | Project Funds |
|--|-------|---------------|
| Assistance Provided & Reimbursed | 6 | \$59,600 |
| Assistance Provided by End Date & Not Reimbursed | 2 | 20,000 |
| Assistance Not Provided by End Date & Not Reimbursed | 2 | 20,000 |
| Total Units | 10 | \$99,600 |

In addition, the Department has identified a match shortfall on this contract. The contract requires a match amount of \$2,490, currently only \$442.94 has been reported. The Department has rescored the original application based on the reported match amount. The decrease in match would have resulted in a score decrease of four (4) points, to an overall score of eighty-four (84) points. A review of the awards for 2003 indicates that the application would still have been funded with the reduced match points. The City has not been able to identify a replacement source of match.

| | Current | Requested | Change | % Reduction |
|-------|------------|-----------|--------------|-------------|
| Match | \$2,490.00 | \$443.94 | (\$2,046.06) | 82.17% |

Amendment Number: 2
Activity Type: Home Buyer Assistance (HBA)
Contract Executor: City Manager Sunny K. Philip
Contract Start Date: October 1, 2003
Contract End Date: June 30, 2006
Requested End Date: August 31, 2006
Service Area: City of La Feria, Cameron County
Total Budget Amount: \$103,584
Project Amount: \$99,600
Administration Amount: \$3,984
Households Required: 10
Households Assisted: 10
Amount Drawn: \$59,600

Requested Action

Because this is the City's second extension request, and because the second requested match reduction exceeds 25%, staff has denied the request. At the time of the first extension for nine (9) months, the City assured the Department that the contract would be completed by the amended contract end date. Disapproval of the extension and waiver would result in the City not being reimbursed for \$40,000. Disapproval of the match reduction would result in additional disallowed costs.

If the board chooses to approve the amendment, the contract end date would be extended for two (2) additional months from June 30, 2006 to August 31, 2006 and the required match amount would be decreased to \$443.94.

City of Cotulla Contract Number 1000020

Summary of Request

The City of Cotulla (City) has previously been permitted two amendments to extend the contract end date as a result of delays with contract administration. The contract start date was December 1, 2003; the first amendment was executed on December 29, 2005 extending the end date of the contract for six (6) months, from November 30, 2005 to May 31, 2006. The board approved a second amendment at the August 2006 meeting. The second amendment extended the end date for ten (10) additional months to March 31, 2007.

The City is requesting a third amendment to further extend the end date of their contract for nine (9) additional months from March 31, 2007 to December 31, 2007 to complete construction on one remaining house currently budgeted at \$50,000.

Due to lack of performance, the City terminated the services of their consultant, SMi Consulting. Since then, the City has proceeded with the administration of the contract. Nine (9) of the ten (10) required homes have been completed. The last remaining home has been started; however, the construction in process does not meet required property standards and was constructed in a flood zone. Unless the City can procure the services of a contractor to complete construction of the current structure, the home must be demolished and construction of the home must start in a different location.

| | |
|------------------------|--|
| Amendment Number: | 3 |
| Activity Type: | Owner Occupied Reconstruction (OCC) |
| Contract Executor: | Mayor Abel Gonzalez |
| Former Consultant: | SMi Consulting, Robert Chavira (terminated) |
| Contract Start Date: | December 1, 2003 |
| Contract End Date: | March 31, 2007 |
| Requested End Date: | December 31, 2007 |
| Service Area: | Federally Declared FEMA Disaster Area #1428, La Salle County |
| Total Budget Amount: | \$520,000 |
| Project Amount: | \$500,000 |
| Administration Amount: | \$20,000 |
| Households Required: | 10 |
| Households Assisted: | 9 (1 pending approval of this extension) |
| Amount Drawn: | \$436,645 |

Requested Action

Because this is the third extension request, staff does not recommend approval. At the time of the second extension for ten (10) months, the City assured the Department and the Board that the contract would be completed by the amended contract end date. To date, forty-two (42) months since the contract start date, the City has not completed construction of the final house. The household is currently living in a substandard manufactured home located on the same lot as the new home currently in process. Disallowed costs of \$12,245 reimbursed for partial construction of the final structure will result if the amendment request is not approved.

If the board chooses to approve the amendment, the contract end date would be extended from March 31, 2007 to December 31, 2007. Approval of this amendment would require the City to provide the Department with a Monthly Contract Progress Report.

City of Lewisville Contract Number 1000253

Summary of Request

The City of Lewisville (City) was previously permitted a nine (9) month extension by the board at the November 2006 board meeting as a result of construction delays. The contract start date was October 1, 2004; the first amendment was executed on January 15, 2006 extending the end date of the contract for nine (9) months, from September 30, 2006 to June 30, 2007. The first amendment also reduced the required households from eight (8) to six (6), resulting in deobligated funds of \$97,881. The match requirement was also reduced pro rata from \$52,000 to \$40,236.

At the November 2006 board meeting, the City requested a six (6) month extension. The board approved a nine (9) month extension to provide the City sufficient time to complete construction without the need for an additional extension. The City assured the Department and the board that the contract would be completed by the amended end date.

The City is requesting a second amendment to further extend the end date of their contract for three (3) additional months from June 30, 2007 to September 30, 2007. The City states that due to rainy weather, the construction phase for one (1) remaining home got behind schedule. The demolition was completed as of April 2007; however the soil was too wet to complete soil testing and the construction phase was delayed. The builder states that the construction will be finished by August 31, 2007.

| | |
|------------------------|---|
| Amendment Number: | 2 |
| Activity Type: | Owner Occupied Reconstruction (OCC) |
| Contract Executor: | City Manager Claude King |
| Contract Contact: | Jamey Kirby, Grants Coordinator |
| Contract Consultant: | A & J HOWCO Services, Inc. |
| Contract Start Date: | October 1, 2004 |
| Contract End Date: | June 30, 2007 |
| Requested End Date: | September 30, 2007 |
| Service Area: | Urban/Exurban area of City of Lewisville, Denton County |
| Total Budget Amount: | \$334,759 (original budget \$432,640, already deobligated \$97,881) |
| Project Amount: | \$321,884 |
| Administration Amount: | \$12,875 |
| Households Required: | 6 |
| Households Assisted: | 6 |
| Amount Drawn: | \$126,519.10 (5 homes completed but not fully drawn) |

Requested Action

Because this is the City's second extension request, staff does not recommend approval. At the time of the first extension for nine (9) months, the City assured the Department and the board that the contract would be completed by the amended contract end date.

If the board chooses to approve the amendment, the contract end date would be extended for three (3) months from June 30, 2007 to September 30, 2007. Approval of this amendment would require the City to provide the Department with a Monthly Contract Progress Report.

City of Splendora Contract Number 1000501

Summary of Request

The City of Splendora (City) is requesting a modification to the income requirements in their contract as noted on the table below:

| | 2007 Income Limits (4 Person) | Original | Requested | Variance |
|----------|-------------------------------|----------|-----------|----------|
| 30% AMFI | \$18,300 | 8 | 4 | (4) |
| 50% AMFI | \$30,500 | 0 | 4 | 4 |
| Total | | 8 | 8 | |

The City states that they have not been able to identify households to qualify for the program at the 30% income level. The City states that the increase would allow assistance to other households who are in much need of adequate housing, but whose income is slightly above the 30% income limit. The application has been rescored and the City would have been funded with the increased income limit requirements.

Amendment Number: 3
Activity Type: Owner Occupied Reconstruction (OCC)
Contract Executor: Mayor Carol W. Carley
Contract Consultant: Public Management, Inc.
Contract Start Date: October 3, 2005
Contract End Date: September 28, 2007
Service Area: Rural area of City of Splendora, Montgomery County
Total Budget Amount: \$499,200
Project Amount: \$480,000
CHDO Operating: \$19,200
Households Required: 8
Households Assisted: 1
Amount Drawn: \$33,400

Requested Action

Staff does not recommend the approval of the amendment. If the board chooses to approve the requested amendment, the contract income requirements would be increased as noted in the table above.

The board could alternatively choose to maintain the current income requirements, and if the City is successful in locating households at the original 30% income limit prior to the current contract end date, the City would be allowed a nine (9) month extension to complete assistance to these households. Approval of this extension would require the City to comply with provisions of the 2006 HOME Program rules. Specifically, the City must meet the following requirements:

- Demolition of homes must be completed ninety (90) days prior to the amended contract end date. Homes not demolished prior to the deadline become the responsibility of the Administrator for completion.
- Commitment of all contract funds in the TDHCA Contract System must be completed ninety (90) days prior to the amended contract end date. Funds not committed prior to the deadline will not be eligible for reimbursement.
- Inclusion of language in any subcontract that provides the Department the ability to directly review, monitor, and/or audit the operational and financial performance and/or records of work performed under this contract.

- Inclusion of language in any subcontract that failure of subcontractor/consultant to adequately perform under this contract may result in penalties up to and including Debarment from performing additional work for the Department.
- Authority of the Department to directly review, monitor, and/or audit the operational and financial performance and/or records of work performed under this Contract.
- Submission of a Monthly Contract Progress Report in a form prescribed by the Department.

Jo En Taylor

From: Cristy Roberts [cristy.roberts@tdhca.state.tx.us]
Sent: Thursday, May 24, 2007 10:18 AM
To: 'Lucy Trevino'; Jo En Taylor
Cc: 'Cristy Roberts'
Subject: RE: City of LaFeria 542061 - Letter

Lucy,

Sunny Phillips with LaFeria returned my call this morning. I informed him he is scheduled for the June Board meeting. If he had questions about preparation for the board meeting he is to call you or Jo.

Thanks!
Cristy

-----Original Message-----

From: Cristy Roberts [mailto:cristy.roberts@tdhca.state.tx.us]
Sent: Wednesday, May 23, 2007 8:41 AM
To: 'sunny'
Cc: 'Jo En Taylor'; 'cristy.roberts@tdhca.state.tx.us'
Subject: RE: City of LaFeria 542061 - Letter

Sunny,

I wanted to follow up again with you regarding the denial letter for the 60 Day Waiver Request. I left you a voicemail. Please contact me or Jo En Taylor (512-475-4972) if you have questions.

Thanks!
Cristy Roberts
512-463-0015

-----Original Message-----

From: Cristy Roberts
Sent: Thursday, May 17, 2007 9:37 AM
To: 'sunny'
Cc: Cristy Roberts; Jo En Taylor
Subject: City of LaFeria 542061 - Letter

Sunny,

It is my understanding you are out of the office until Monday. This email is a follow up to the voicemail I left you. The Department has mailed a letter of denial regarding the 60 Day Waiver Request. The City of LaFeria has been added to the list for the June Board meeting in order for the city to appeal the denial.

Please contact me if you have questions.

Thanks!
Cristy Roberts
Work: 512-463-0015
Fax: 512-475-0220

6/7/2007



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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Gloria Ray
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May 11, 2007

Mr. Sunny K. Philip
City Manager, City of La Feria
115 East Commercial Avenue
La Feria, TX 78559

Re: Denial of Sixty (60) Day Waiver Request, HOME Contract No. 542061

Dear Mr. Philip:

The Texas Department of Housing and Community Affairs (the Department) is in receipt of your letter dated March 29, 2007 requesting an extension to the sixty (60) day grace period for the above-referenced contract.

Specifically, City of La Feria (Administrator) requests that the Department allow funds be reimbursed that occurred within a 60-day period after the contract end date. The activity numbers involved are 22600 and 24804.

Requests for reimbursement (final administrative draws and final activity draws) must be completed and paid by the sixtieth (60th) day following the Contract's expiration date. Any draw requests submitted for expenses incurred prior to the Contract termination date must be submitted in a timely manner to allow for approval and payment by the Department prior to the sixtieth (60th) day following contract termination.

The contract expiration date was June 30, 2006. Documentation submitted for activity #22600 indicates a closing date of July 27, 2006 and activity #24804 with a closing date of August 30, 2006. The expenses for these activities did not occur prior to the expiration date and therefore are not eligible for reimbursement. Department procedures do not allow for the payment of these expenses without an extension to the contract end date; but, since this would be the second (2nd) extension request it requires Board approval. Your request is **denied**.

Furthermore, the Department has reviewed the match shortfall on this contract. The contract requires a match amount of \$2,490.00, currently an amount of \$443.94 has been reported. The Department has evaluated the contract and rescored the application based on a lower match amount. The decrease would have resulted in a score decrease of four (4) points, with an overall score of eighty-four (84) points. A review of the awards for 2003 indicates that a score of 84 points would have received funding. The Administrator has

City of La Feria
HOME Contract #542061

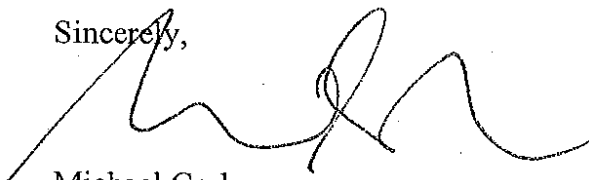
match shortage in the amount of \$2,046.06 or 82.17% of the required amount of the contract. However, since the decrease is for an amount over 25% and would be the contracts second (2nd) match reduction, Department policy does not allow approval of the reduction.

Pursuant to 10 Texas Administrative Code §1.7, the City may appeal this decision to the Department's Governing Board. For the appeal to be considered, it must be received by Lucy Treviño, Manager of Portfolio Management, no later than ten days after the date of this letter.

If the Administrator does not wish to appeal the decision, remaining funds in the above mentioned contract will be de-obligated, and the match requirement must be met.

The Department appreciates the Administrator's efforts to provide decent, safe, sanitary, and affordable housing for low and moderate income citizens of Texas. If you have any questions, please feel free to contact me or Lucy Treviño at (512) 475-8550 or through email at lucy.trevino@tdhea.state.tx.us.

Sincerely,



Michael Gerber
Executive Director

cc: Michael Lyttle, Director of Governmental Relations

MG/jet



May 14, 2007

Lucy Trevino, Manager of Portfolio Management
HOME Program
Texas Department of Housing and Community Affairs
PO Box 13941
Austin, Texas 78711-3941

Re: Amendment/Contract Extension, OCC Contract 1000253

Dear Ms. Trevino:

The City of Lewisville is requesting an extension of its Grant Contract for HOME OCC Contract 1000253. The extension is necessary to complete the last project activity, Ms. Dorothy Brown, #25449.

Our program is moving along to completion except for the last project, which is a reconstruction. On November 9, 2006, the Board approved the first extension until June 2007. The City received its executed copy of the amendment in January and immediately began the process of reviewing income eligibility for the recipients. Ms. Brown was the only one that necessitated re-certification of her income, which was completed in March 2007. The preconstruction conference for her project was held March 28. During the conference, a timeline was established for construction. The final plans and specifications would be completed by April 16 by the architect as well as survey. Ms. Brown stated she would vacate the property by April 9. Demolition crew would be available for April 10. Construction would begin by May 1 and completed by June 29.

However, delays occurred due to rainy weather. While demolition has taken place, the City requires soil testing for a foundation report, which is prepared by an engineer. It is still too wet to take the samples. So, the construction phase is behind schedule. The builder states that he will be finished by August 31.

The City is requesting another time extension until September 30, 2007 to complete the final activity.

The Department's favorable response to these matters will be appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read "Claude King".

Claude King
City Manager, City of Lewisville

RECEIVED
MAY 31 2007
COMPLIANCE

Attachments

P.O. Box 299002
Lewisville, Texas 75029-9002

Jo En Taylor

From: Nicholas Houston [nhouston@publicmgt.com]
Sent: Thursday, May 10, 2007 3:30 PM
To: 'Jo En Taylor'
Subject: City of Splendor HOME 1000501

Ms. Taylor:

As you know, we received funds to rehabilitate/reconstruct nine houses on the above contract. We have a few households that are very close to being eligible but are slightly over the 30% of average median income limits. We believe that these residents of Splendor are deserving of this assistance and that it is an effective use of TDHCA HOME funds.

As I understand the change in this contract would not have affected the original application score, and the funds would still have been given to the City of Splendor. We respectfully request the opportunity to present this request to increase the income eligibility limits on the above contract to 50% of the average median income to the Board of Directors in June.

Nic Houston, Project Manager
Public Management, Inc.
P. O. Box 1827
Cleveland, TX 77328-1827
Phone: 281-592-0439
Fax: 281-592-1734

5/10/2007



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

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May 11, 2007

The Honorable Carol W. Carley
Mayor, City of Splendora
P.O. Drawer 1087
Splendora, TX 77372

Re: HOME OCC Contract #1000501
Denial of Request for Increase in Income Eligibility Limits

Dear Mayor Carley:

The Texas Department of Housing and Community Affairs (Department) has received your letter dated April 4, 2007.

Specifically, the City of Splendora (Administrator) is requesting an increase to the eligibility income limits from 30% of area median family income (AMFI) to 50% AMFI for four (4) houses. The Administrator states that they have successfully qualified four (4) households at 30% AMFI. The increase would allow assistance to other households who are in much need of adequate housing, but whose income is slightly above the 30% limit.

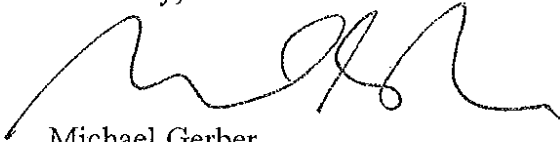
Department staff has reviewed and re-scored the initial application with the requested change (4 units at 50% AMFI) and has determined that the application would have been awarded with the requested modification in income limits. The current contract requires that assistance be provided to eight (8) OCC households whose income qualifies at 30% AMFI. The requested modification would affect 50% of the total units. The Department's policy does not allow for the approval of changes in excess of 25%, and therefore, the income limit modification is **denied**.

Pursuant to 10 Texas Administrative Code §1.7, the Administrator may appeal this decision to the Department's Governing Board. For the appeal to be considered, it must be received by Lucy Treviño, Manager of Portfolio Management and Compliance, no later than ten days after the date of this letter.

If the Administrator does not wish to appeal the decision, the above mentioned contract will require that assistance be provided to eight (8) households whose income qualifies at 30% AMFI.

The Department appreciates your efforts to provide decent, safe, sanitary, and affordable housing for low and moderate income citizens of Texas. If you have any questions, please feel free to contact me or Lucy Treviño at (512) 475-2550 or through email at lucy.trevino@tdhca.state.tx.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'M Gerber', written over a horizontal line.

Michael Gerber
Executive Director

cc: Michael Lyttle, Director of Governmental Relations

MG/jet

Real Estate Analysis Division

BOARD ACTION ITEM

June 14, 2007

Action Item

Presentation, discussion and possible action on a timely filed appeal regarding the underwriting recommendation of a development under the 2007 Competitive Housing Tax Credit program, **07235 Woodchase Senior Community** in El Paso, TX.

Required Action

Approve, deny or approve with amendments a determination on the appeal.

Background

Investment Builders, Inc., the General Partner of Woodchase Senior Community, the Applicant, submitted an application for funding under the 2007 Competitive Housing Tax Credit program to develop 128 multifamily rental units targeting the elderly. The Applicant requested \$1,069,620 in annual tax credits to support a total development budget of \$11,449,155. The Applicant projected effective gross income for the development in the first year of stabilized operations to be \$592,085 and expenses to be \$426,880 for an expense to income ratio of 72.10%. This development was also underwritten by Department staff who concluded effective gross income for the first year of stabilized operations to be \$586,979 and expenses to be \$421,922 for an expense to income ratio of 71.88%.

The application is not recommended for funding due to the fact that the Applicant's and Underwriter's expense to income ratios exceed the Department's maximum of 65% per the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(4). This issue was identified in the underwriting report and therefore, is considered an appeal of the application's satisfaction of underwriting criteria.

The Applicant has suggested that the operating expenses they submitted with their original application are no longer valid because the El Paso Central Appraisal District has reduced the capitalization rate which has reduced property taxes for several other transactions and the Applicant now believes that this property tax savings can also be achieved at the subject. Even with this reduction in expenses the Applicant acknowledges that the ratio still exceeds 65%. The Applicant is therefore requesting a waiver from the Board of this underwriting requirement, which is not specifically included in State or Federal statute. This 65% expense to income ratio requirement was added to the underwriting rules for 2007 in an effort to mitigate concerns that developments were being underwritten to tight and were being forced into failure situations in order to meet competing policy objectives of the Department. The expense to income ratio serves to prevent transactions from deep rent targeting in areas which cannot support such deep rent targeting without other ongoing support such as a rental subsidy or property tax exemption.

A higher expense to income ratio is also reflected in some applications as a strategy to preserve the eligible credit allocation because it has the effect of limiting the debt service capacity and thereby increasing the gap of funds needed that can be filled with syndication proceeds. In this case staff believes that the high expense to income ratio is a result of a combination of the large number of one bedroom units (targeting elderly), the low median income in the market and the lack of a project based operating subsidy or property tax relief.

The rule does not include a waiver provision for the Executive Director; therefore, the appeal was denied on the basis that the application did not satisfy the 65% expense to income ratio and that the underwriting conclusions were supported by the Department’s rules.

The Applicant addressed several additional concerns with regard to the implementation of the 65% expense to income financial feasibility rule that are addressed below:

The appeal indicates that staff did not issue any underwriting deficiencies and therefore the Applicant was not able to submit additional information for staff’s consideration. Staff did contact the Applicant before the report was completed to discuss the 65% concern and seek potential alternatives, however, staff did not ultimately request additional information as there was no apparent deficiency in the application or need for clarification that would generate an administrative deficiency letter. The underwriting report agrees with the effective gross income, total operating expense, and net operating income submitted in the application as each were within 5% of the Underwriter’s estimates. Therefore, there was no discrepancy to clarify. Moreover, staff and the Applicant could not see any potential resolution to the expense to income ratio issue. As was confirmed in our discussion and in the appeal letter itself, adjusting the expenses to a lower property tax figure does not result in an expense to income ratio below the Department’s underwriting requirement.

The Applicant contends that the 65% rule itself was ill advised because expense data published by the Department reflects that 5 state service regions have expense to income ratio that exceed 65% for data collected at fiscal year end 2005. The regions identified are regions where the area median income, and therefore rent, is generally lower than the statewide average. Moreover, rents in all of Texas have remained relatively flat over the past several years while expenses have risen. The following chart confirms the result that the expense to income ratio in the past 2 years in these regions has increased.

| | | Region 2 | Region 4 | Region 10 | Region 12 | Region 13 |
|-------------|-----------------|---------------|---------------|---------------|---------------|---------------|
| FYE 2003 | Published | 64.88% | 62.79% | 59.45% | 67.17% | 54.33% |
| | Adjusted | 59.90% | 60.29% | 53.39% | 60.62% | 54.33% |
| FYE 2005 | Published | 69.71% | 67.80% | 68.49% | 76.82% | 70.10% |
| | Adjusted | 60.96% | 64.36% | 61.56% | 69.39% | 66.9% |

It must be noted that a significant number of the specific properties in each region included in the summary data published on the Department's web site indicate expense to ratios above 90% expense to income. Such transactions were either in lease-up or have an ongoing operating subsidy through a Section 8 Housing Assistance Program (HAP) contract or public housing operating support agreements. Removing these properties from the average (the adjusted rows) results in all regions averages being below 65% at year end 2003 and only 2 regions above the 65% standard at year end 2005. Furthermore, many of the properties included in the database were underwritten originally with much lower expense to income ratios and have been operating for a number of years. As the expense to income ratio has risen, the ability of developments to continue to support its original debt has diminished. This tightness in the market is one of the reasons there has been a spike in workout developments evidenced by an increase in the number of general partner replacements over the course of the last few months. The ability for a new property starting at such a historic high expense to income ratio to sustain the potential future strain of flat rents and increased expenses is questionable.

The Department does not apply a one size fits all approach to this requirement as suggested in the appeal. The rule specifically excludes developments that have an ongoing operating subsidy such as HAP, USDA Rental Assistance or public housing operating support by allowing a higher expense to income ratio in developments with those additional subsidies. In addition the rule implicitly accounts for developments which are able to qualify for and obtain property tax exemptions because a 50% property tax exemption can reduce developments expense to income ratio by 10%.

While the 65% expense to income ratio requirement does make it more challenging today to make a new transaction work, it is only a reflection of the economic reality which exists. Developments that choose to target lower income levels and smaller households without securing additional ongoing support have always been at risk but in today's environment that risk is more acute. The expense to income ratio is an objective measure that is used in conjunction with the Department's other feasibility tests of debt coverage ratio, inclusive capture rate, and deferred development fee repayment period to attempt to ensure that the State's limited resources are used effectively.

Recommendation

Staff recommends the Board deny the appeal and deny the requested waiver.

07235 Woodchase Senior Community

Applicant's Appeal

Woodchase Senior Community, Ltd. Appeal
TDHCA File Number: 07235

- 1. Appeal Letter To TDHCA Executive Director Michael Gerber**
- 2. Letter From MMA Concerning Project Financial Feasibility**
- 3. Letter From AIG SunAmerica Concerning Project Financial Feasibility**
- 4. Support Letter From City Representative Steve Ortega**
- 5. TDHCA Appeal Election Notice**
- 6. TDHCA REAL Estate Analysis Underwriting Report**
- 7. Revised Application Forms Reflecting Property Tax Adjustment**
- 8. Revised Lender Commitment Letter**
- 9. Evidence Supporting Property Tax Adjustment**
- 10. Statement That No Buildings Are Contained In C-OP Zoning Area**
- 11. Market Impact Letter From Ipser & Associates**

RECEIVED

JUN 05 2007

DEPUTY ED.

1

LOCKE LIDDELL & SAPP LLP

ATTORNEYS & COUNSELORS

100 CONGRESS AVENUE
SUITE 300
AUSTIN, TEXAS 78701-4042

AUSTIN ■ DALLAS ■ HOUSTON ■ NEW ORLEANS ■ WASHINGTON D.C.

Phone: (512) 305-4700
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www.lockeliddell.com

Direct Fax: (512) 391-4707
E-mail: cbast@lockeliddell.com

June 5, 2007

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 West 11th Street
Austin, Texas 78701

Re: Appeal for Woodchase Senior Community (El Paso)
TDHCA No. 07235

Dear Mike:

We represent the tax credit applicant for the above-referenced project. On behalf of our client, we wish to appeal the underwriting determination that the proposed project is financially infeasible. Our client believes that Woodchase Senior Community is a strong and viable project, for the reasons described below.

Underwriting Rule

Section 1.32(i)(4) of the Real Estate Analysis rules mandates that a project is infeasible if the year 1 annual total operating expense divided by the year 1 effective gross income is greater than 65%. The Real Estate Analysis Division has calculated this ratio to be 72% for Woodchase Senior Community and has therefore declared it to be infeasible.

Project-Specific Considerations

Despite the underwriting determination, there are a variety of indications that Woodchase Senior Community should be considered a viable project for the senior citizens of El Paso:

- As submitted, the project anticipates a debt service coverage ratio ranging between 1.24 and 1.29 during the 15-year compliance period.
- As submitted, only 9% of the development fee is deferred, and that deferred portion is projected to be paid from cash flow during the first three years of operations.

The applicant did not receive any administrative or underwriting deficiencies from the Real Estate Analysis Division and therefore was unable to submit additional information for staff's consideration. However, the following is critical to the financial feasibility issue:

- In 2006, the El Paso Central Appraisal District used a capitalization rate of 6.75% to value low-income housing property for tax purposes.
- Thus, the applicant used this capitalization rate when estimating the property taxes to be paid by the project.
- Subsequent to submitting the tax credit application, the appraisal district announced, in accordance with the Texas Tax Code, that the capitalization rate for 2007 would be 10%.
- This change in capitalization rate makes a significant difference in the proposed operating expenses for the project.
- With this change alone, the ratio of year 1 operating expenses to year 1 effective gross income decreases from 72% to 69%.
- In addition, with this change, more development fee can be paid. Only \$3312 of development fee is deferred in this scenario.

Supporting evidence for these changes and revised calculations are attached for your review. Also, please review the letters from two syndicators; MMA Financial and AIG SunAmerica which present clear support for this project.

Rule Considerations

This rule is new to the Real Estate Analysis rules for 2007. Our client believes that applying this rule to diverse properties across a diverse state is problematic and asks that you consider the following:

- TDHCA's own property expense database shows that, for properties with more than 76 units, the average operating expense to effective gross income ratio exceeds 65%, and thus fails this new feasibility test, in 5 state service regions:

Region 2 – 69.71%

Region 4 – 67.80%

Region 10 – 68.49%

Region 12 – 76.82%

Region 13 – 70.10%

Thus, TDHCA implemented a rule that average properties in five state service regions may have a hard time meeting. "One Rule Fits All" is very hard to apply here.

- The calculation is more challenging for properties in lower-income areas, like El Paso and The Valley, because the effective gross income in those areas is necessarily lower.
- The calculation is more challenging for seniors' properties because they are restricted to 1- and 2-bedroom units, which generate lower rental rates than the family properties, and thus, lower effective gross income.
- This rule ignores the real tests of financial feasibility which are:
 - 1) Adequate sources to build the project, and
 - 2) Enough cash flow to service the debt for the term of the permanent mortgage and pay the entire amount of deferred developer fee.

Conclusion and Request

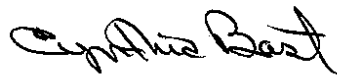
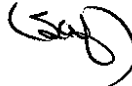
Based on the information submitted above, the applicant believes Woodchase Senior Community should be declared financially feasible and allowed to proceed through the tax credit consideration process.

Should the Executive Director deny this appeal, we request that it be considered at the June 14 Board meeting and that the Board waive the application of Section 1.32(i)(4) of the Real Estate Analysis rules with respect to Woodchase Senior Community.

It has been six years since an elderly tax credit project was awarded to the El Paso community. The applicant believes this project is meritorious and, more importantly, financially feasible, and will provide great housing for El Paso.

If you need additional information to process this request, please let me know.

Sincerely,


Cynthia L. Bast


Attachments

cc: Investment Builders

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June 4, 2007

Michael Gerber, Executive Director
Texas Department of Housing and Community Affairs
P.O. BOX 13941
Austin, TX 78711-3941

RE: Income and Expense Review
Woodchase Senior Community, Ltd. (the "Project")
128 Units – El Paso, TX

Dear Mr. Gerber:

MMA Financial has participated in the development of 34 projects totaling 2,723 units with Investment Builders, Inc. since 1996. We recently converted two Investment Builders projects in El Paso to permanent financing; the 160 unit multi-family project known as Cedar Oak Townhomes, Ltd. in March 2007 and the 36 unit multi-family project known as Desert Breeze, Ltd. in May 2007. Both projects exceeded initial underwriting projections and qualified for slightly higher permanent loans than initially projected.

As indicated above, MMA Financial has recent and extensive knowledge of the El Paso affordable housing market. We have reviewed the projections for this project and provided a letter of intent to provide both equity and debt. This project falls well within our guidelines for financial feasibility and we look forward to working with TDHCA and Investment Builders in the near future to provide senior housing community in El Paso, Texas.

If you have any questions, please let me know. We look forward to working with you.

Sincerely,

A handwritten signature in black ink, appearing to read 'George Currall'.

George Currall
Principal

MMA Financial, Inc.

900 17th Street, NW, Suite 350
Washington, D.C. 20006
T 202. 777.0920 F 202. 466.5273

George Currall
Principal
202-777-0905
202-466-5273 fax

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June 4, 2007

Michael Gerber, Executive Director
Texas Department of Housing and Community Affairs
P.O. BOX 13941
Austin, TX 78711-3941

RE: Income and Expense Review
Woodchase Senior Community, Ltd. (the "Project")
128 Units – El Paso, TX

Dear Mr. Gerber:

SunAmerica has been working in cooperation with the developer, Investment Builders, as part of the Project's pre-development income and expenses underwriting. SunAmerica is competing to become the Project's tax credit investor. This equity investment would be in excess of \$9.7M. Additionally, SunAmerica is competing to become the Project's construction and permanent lender, where SunAmerica would lend approximately \$5.1M and \$1.7M for the construction and permanent loan first mortgage, respectively. As part of SunAmerica's investment analysis, SunAmerica compiles a 15-year income and expense pro forma, and then stresses that pro forma per SunAmerica's internal guidelines.

SunAmerica has reviewed and approves of the developer's income and expense pro forma, attached hereto as Attachment A, which shows the Project is operationally feasible.

SunAmerica has invested in 515 units with Investment Builders. Thus far, SunAmerica has invested in both debt and equity for all Investment Builders' transactions. The Investment Builders/SunAmerica El Paso portfolio's occupancy for the first four months of 2007 was over 96%.

SunAmerica looks forward to working with the TDHCA and Investment Builders to provide much-needed senior housing to El Paso.

Sincerely,



Lincoln Williamson, Vice President
SunAmerica Affordable Housing Partners, Inc.

Cc: Ike Monty / Keith Puhlman (Investment Builders)

15 YEAR PROJECTED DEBT SERVICE COVERAGE

ATTACHMENT A

Woodchase Senior Community

Number of Units 128
Date 06/04/2007

U/W Trend
Rate Factor

Gross Potential Rent 3.00%
Less Vacancy: 7.50%

Net Rental Income

Other Income 3.00%
Less Vacancy: 7.50%

EGI

EXPENSES

Management (%EGI) 5.00%
Administration 4.00%
Payroll 4.00%
Utilities 4.00%
Water & Sewer 4.00%
Repair & Maint. 4.00%
Insurance 4.00%
R.E. Taxes 4.00%
Other Expenses 0.00%
Replacement Reserves 0.00%

Total Expenses

NOI
Debt Service
DSC

| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| U/W Trend | | | | | | | | | | | | | | | |
| Rate Factor | | | | | | | | | | | | | | | |
| Gross Potential Rent | \$623,820 | \$642,535 | \$661,811 | \$681,665 | \$702,115 | \$723,178 | \$744,873 | \$767,219 | \$790,236 | \$813,943 | \$838,361 | \$863,512 | \$889,417 | \$916,100 | \$943,583 |
| Less Vacancy: | (46,787) | (48,190) | (49,636) | (51,125) | (52,659) | (54,238) | (55,865) | (57,541) | (59,268) | (61,046) | (62,877) | (64,763) | (66,706) | (68,708) | (70,769) |

| | | | | | | | | | | | | | | | |
|-------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Net Rental Income | \$577,033 | \$594,345 | \$612,175 | \$630,540 | \$649,456 | \$668,940 | \$689,008 | \$709,678 | \$730,968 | \$752,897 | \$775,484 | \$798,749 | \$822,711 | \$847,392 | \$872,814 |
| Other Income | \$10,752 | \$11,075 | \$11,407 | \$11,749 | \$12,101 | \$12,465 | \$12,838 | \$13,224 | \$13,620 | \$14,029 | \$14,450 | \$14,883 | \$15,330 | \$15,790 | \$16,263 |
| Less Vacancy: | (806) | (806) | (806) | (806) | (806) | (806) | (806) | (806) | (806) | (806) | (806) | (806) | (806) | (806) | (806) |
| EGI | \$586,979 | \$604,614 | \$622,776 | \$641,483 | \$660,751 | \$680,599 | \$701,040 | \$722,096 | \$743,782 | \$766,120 | \$789,128 | \$812,826 | \$837,235 | \$862,376 | \$888,271 |

| | | | | | | | | | | | | | | | |
|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Management (%EGI) | \$29,349 | \$30,231 | \$31,139 | \$32,074 | \$33,038 | \$34,030 | \$35,052 | \$36,105 | \$37,189 | \$38,306 | \$39,456 | \$40,641 | \$41,862 | \$43,119 | \$44,414 |
| Administration | 49,817 | 51,810 | 53,882 | 56,037 | 58,278 | 60,609 | 63,033 | 65,554 | 68,176 | 70,903 | 73,739 | 76,689 | 79,757 | 82,947 | 86,265 |
| Payroll | 103,680 | 107,827 | 112,140 | 116,626 | 121,291 | 126,143 | 131,189 | 136,437 | 141,894 | 147,570 | 153,473 | 159,612 | 165,996 | 172,636 | 179,541 |
| Utilities | 48,000 | 49,920 | 51,917 | 53,994 | 56,154 | 58,400 | 60,736 | 63,165 | 65,692 | 68,320 | 71,053 | 73,895 | 76,851 | 79,925 | 83,122 |
| Water & Sewer | 21,120 | 21,965 | 22,844 | 23,758 | 24,708 | 25,696 | 26,724 | 27,793 | 28,905 | 30,061 | 31,263 | 32,514 | 33,815 | 35,168 | 36,575 |
| Repair & Maint. | 34,560 | 35,942 | 37,380 | 38,875 | 40,430 | 42,047 | 43,729 | 45,478 | 47,297 | 49,189 | 51,157 | 53,203 | 55,331 | 57,544 | 59,846 |
| Insurance | 28,160 | 29,286 | 30,457 | 31,675 | 32,942 | 34,260 | 35,630 | 37,055 | 38,537 | 40,078 | 41,681 | 43,348 | 45,082 | 46,885 | 48,760 |
| R.E. Taxes | 52,290 | 54,382 | 56,557 | 58,819 | 61,172 | 63,619 | 66,164 | 68,811 | 71,563 | 74,426 | 77,403 | 80,499 | 83,719 | 87,068 | 90,551 |
| Other Expenses | 8,320 | 8,653 | 8,999 | 9,359 | 9,733 | 10,122 | 10,527 | 10,948 | 11,386 | 11,841 | 12,315 | 12,808 | 13,320 | 13,853 | 14,407 |
| Replacement Reserves | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 |
| Total Expenses | \$407,296 | \$422,016 | \$437,315 | \$453,217 | \$469,746 | \$486,926 | \$504,784 | \$523,346 | \$542,639 | \$562,694 | \$583,540 | \$605,209 | \$627,733 | \$651,145 | \$675,481 |

| | | | | | | | | | | | | | | | |
|--------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| NOI | \$179,683 | \$182,598 | \$185,461 | \$188,266 | \$191,005 | \$193,673 | \$196,256 | \$198,750 | \$201,143 | \$203,426 | \$205,598 | \$207,617 | \$209,502 | \$211,231 | \$212,790 |
| Debt Service | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 | \$141,792 |
| DSC | 1.27 | 1.29 | 1.31 | 1.33 | 1.35 | 1.37 | 1.38 | 1.40 | 1.42 | 1.43 | 1.45 | 1.46 | 1.48 | 1.49 | 1.50 |

4



El Paso, Texas
The International City

STEVE ORTEGA
CITY REPRESENTATIVE
DISTRICT NO. 7

June 4, 2007

Mr. Michael Gerber
Executive Director
Texas Department of Housing and Community Affairs
221 East 11th Street
Austin, TX 78701

Re: Woodchase Senior Community
TDHCA #07235

Dear Mr. Gerber:

I am writing this letter in support of Woodchase Senior Community, a new affordable housing community to be located at 8410 & 8411 Tigris Drive, El Paso, Texas, being developed by Investment Builders, Inc. This is a 128-unit elderly project that is profoundly needed in El Paso. The City of El Paso has not had an elderly development awarded since the year 2001, and prior to that in 1997. Thus, a project like Woodchase Senior Community takes on a great urgency.

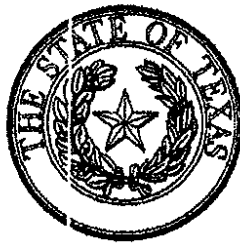
The entire border region continues to face significant economic challenges, therefore, not only will it help alleviate the need for affordable housing much needed by our elderly citizens, but also bring great benefits to the City of El Paso. Historically, Region 13 has been under funded and the approval of this development will enable this Region to receive its fair share of tax credits. I urge you to assess all the details and strongly support this project in every way.

Once again I would like to thank you and the entire TDHCA staff for your attention to the housing needs of El Paso. I am looking forward to a favorable response, and if I may be of any further assistance, please feel free to contact me.

Very truly yours,

Steve Ortega
City Representative – District No. 7

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TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

REAL ESTATE ANALYSIS

Housing Tax Credit Program – 2007 Application Cycle Underwriting Report Notice

Appeal Election Form: 07235 Woodchase Senior Community

Date Notice Sent: 6/1/2007

I am in receipt of my 2007 Underwriting report notice and have reviewed the Appeal Policy at 10TAC Section 49.17(b). I recognize that should I choose to file an appeal, I must file a formal appeal to the Executive Director within seven days from the date this Notice was issued and the Underwriting report was posted to the Department's web site. I understand that my appeal must identify my specific grounds for appeal.

If my appeal is denied by the Executive Director, I

- Do wish to have my appeal to the Board of Directors and request that my appeal be added to the next available Board of Directors' meeting agenda. I understand that my Board appeal documentation must still be submitted by 5:00 p.m., June 5, 2007 to be included in the June 14, 2007 Board book or June 19, 2007 to be included in the June 28, 2007 Board book. I understand that if no documentation is submitted, the appeal documentation submitted to the Executive Director will be utilized.
Wish to wait to hear the Executive Director's response before deciding on my appeal to the Board of Directors.
Do not wish to appeal to the Board of Directors or Executive Director.

Signed [Signature]

Title PRESIDENT OF INVESTMENT BUILDERS, INC.

Date 6/4/2007

Please fax or e-mail to the attention of: Pam Cloyde: (fax) 512.475.3746 (e-mail) pamela.cloyde@tdhca.state.tx.us

6



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
 Real Estate Analysis Division
 Underwriting Report

REPORT DATE: 05/28/07 PROGRAM: 9% HTC FILE NUMBER: 07235

DEVELOPMENT

Woodchase Senior Community

Location: 8410 and 8411 Tigris Drive Region: 13
 City: El Paso County: El Paso Zip: 79907 QCT DDA
 Key Attributes: Multifamily, Elderly, Urban/Exurban, New Construction

ALLOCATION

| TDHCA Program | REQUEST | | | RECOMMENDATION | | |
|-----------------------------|-------------|----------|------------|----------------|----------|------------|
| | Amount | Interest | Amort/Term | Amount | Interest | Amort/Term |
| Housing Tax Credit (Annual) | \$1,069,620 | | | \$0 | | |

CONDITIONS

NOT RECOMMENDED DUE TO THE FOLLOWING:

The Applicant's and Underwriter's expense to income ratios exceed the Department's maximum of 65% per the 2007 Real Estate Analysis Rules and Guidelines § 1.32(i)(4).

SHOULD THE BOARD APPROVE THIS AWARD, THE BOARD MUST WAIVE ITS RULES FOR THE ISSUES LISTED ABOVE AND SUCH AN AWARD SHOULD BE CONDITIONED UPON THE FOLLOWING:

- 1 A 9% HTC allocation not to exceed \$1,069,620.
- 2 Receipt, review, and acceptance of documentation that the development agreement listed in the title commitment has been cleared or will not have an adverse effect on the proposed development.
- 3 Receipt, review, and acceptance of evidence that the portion of the site zoned C-OP is appropriate for the proposed development or that all of the proposed structures are outside of this zone.
- 4 Receipt, review, and acceptance of a statement from the Market Analyst concerning the potential market impact of the proposed development.
- 5 Should the terms or amounts of the proposed debt or equity change, the transaction should be reevaluated and an adjustment to the credit amount may be warranted.

SALIENT ISSUES

| TDHCA SET-ASIDES for LURA | | |
|---------------------------|------------|-----------------|
| Income Limit | Rent Limit | Number of Units |
| 30% of AMI | 30% of AMI | 13 |
| 60% of AMI | 60% of AMI | 115 |

PROS

- The Developer has a strong history of development in the El Paso area.

CONS

- The Development's expense to income ratio of 72% exceeds the maximum guideline (65%), reflecting extensive deep rent targeting.
- The anticipated syndication proceeds as a percentage of total cost (87%) is higher than the typical percentage (less than 70%) for a 9% transaction due to the level of low income targeting.

PROS Continued

CONS Continued

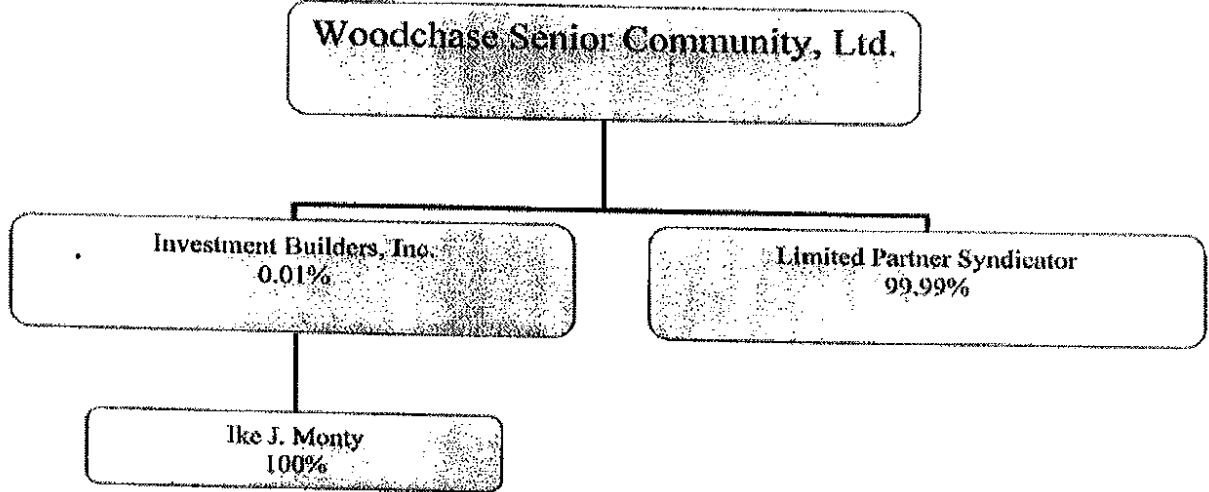
- The demand for seniors one bedroom units serving the 60% income band is very weak in this primary market area.
- The Market Analyst's overall capture rate is over 50%.

PREVIOUS UNDERWRITING REPORTS

No previous reports.

DEVELOPMENT TEAM

OWNERSHIP STRUCTURE



CONTACT

Contact: Ike J Monty Phone: (915) 599-1245 Fax: (915) 594-0434
 Email: ikejmonty@investmentbuilders.com

KEY PARTICIPANTS

| Name | Net Assets | Liquidity ¹ | # of Complete Developments |
|-----------------------------|---------------------|------------------------|----------------------------|
| Investment Builders, Inc | \$14,072,795 | \$386,885 | -- |
| Investment Builders Develop | Combined with above | | -- |
| Ike J Monty | Confidential | | 39 LIHTC Developments |

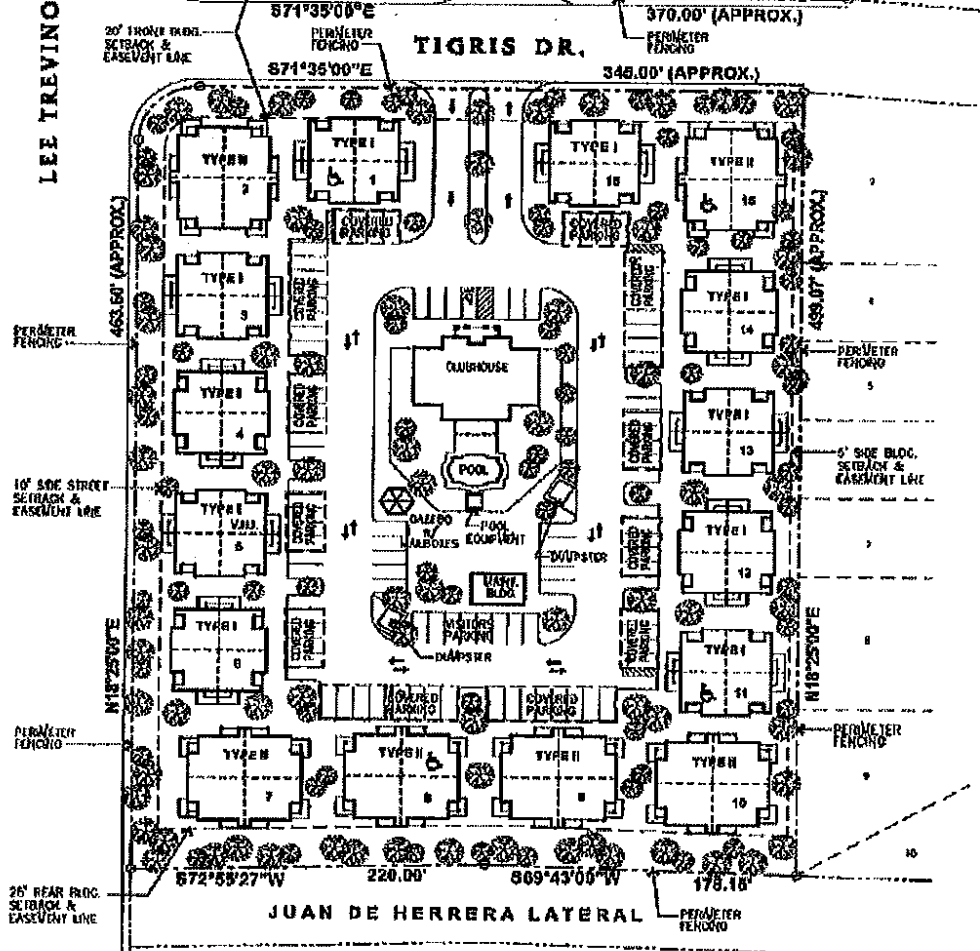
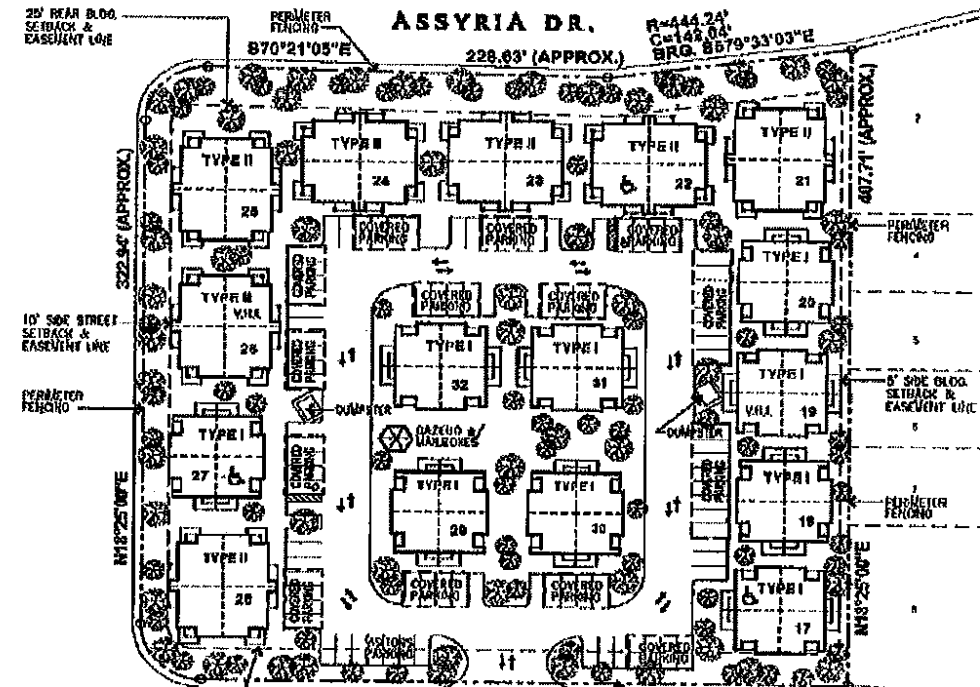
¹ Liquidity = Current Assets - Current Liabilities

IDENTITIES of INTEREST

- The Applicant, Developer, General Contractor, and property manager are related entities. These are common relationships for HTC-funded developments.

PROPOSED SITE

SITE PLAN



Comments:

As illustrated by the site plan, 16 of the 32 residential buildings are separated from the community areas by a public access street.

BUILDING CONFIGURATION

| | | | | | | | | | | | | | | | |
|----------------|----|----|--|--|--|--|--|--|--|--|--|--|--|--|-----------------|
| Building Type | 1 | 2 | | | | | | | | | | | | | Total Buildings |
| Floors/Stories | 1 | 1 | | | | | | | | | | | | | |
| Number | 19 | 13 | | | | | | | | | | | | | 32 |

| BR/BA | SF | Units | | | | | | | | | | Total Units | Total SF | | |
|--------------------|-----|-------|---|--|--|--|--|--|--|--|--|-------------|----------|------------|--------------|
| 1/1 | 619 | 4 | 0 | | | | | | | | | | | 76 | 47044 |
| 2/1 | 789 | 0 | 4 | | | | | | | | | | | 52 | 41028 |
| Units per Building | | 4 | 4 | | | | | | | | | | | 128 | 88072 |

SITE ISSUES

Total Size: 7.957 acres Scattered site? Yes No
 Flood Zone: Zone C Within 100-yr floodplain? Yes No
 Zoning: C-1 Commercial Needs to be re-zoned? Yes No N/A
 Comments:

The boundary survey submitted indicates a portion of the north end of the site bordering Assyria Drive is zoned C-OP "Special Contract." Based on the site plan for the subject, it appears that at least one of the proposed buildings may be partially within this zone. As such, receipt, review, and acceptance of evidence that the portion of the site zoned C-OP is appropriate for the proposed development or that all of the proposed structures are outside of this zone is a condition of this report.

TDHCA SITE INSPECTION

Inspector: Manufactured Housing Staff Date: 4/25/2007
 Overall Assessment:
 Excellent Acceptable Questionable Poor Unacceptable
 Surrounding Uses:
 North: vacant land/residential East: residential
 South: irrigation canal/vacant land West: Lee Trevino Dr/residential
 Comments:
 The rectangular-shaped site is bisected by Tigris Drive (see site plan).

HIGHLIGHTS of ENVIRONMENTAL REPORTS

Provider: EFI Global Date: 2/15/2007
 Recognized Environmental Concerns (RECs) and Other Concerns:
 • None

MARKET HIGHLIGHTS

Provider: Ipser & Associates, Inc Date: 10/31/2006
 Contact: Edward A Ipser, Sr Phone: (512) 340-0420 Fax: (512) 340-0421
 Number of Revisions: N/A Date of Last Applicant Revision: N/A
 Primary Market Area (PMA): 22.65 square miles (≈ 2.5 mile radius)
 The primary market area consists of 19 census tracts and is generally bordered on the northwest by Ascarate Park, on the north east by IH-10, on the southeast by Highway 375, and on the southwest by the US/Mexico Border. The Market Analyst provided no secondary market information.

| | | | | | | |
|---|--|--|--|--|--|--|
| PROPOSED, UNDER CONSTRUCTION & UNSTABILIZED COMPARABLE DEVELOPMENTS | | | | | | |
| None | | | | | | |

| | | | | | | |
|---------------|----------|-----------|-----------|-----------|-----------|-----------|
| INCOME LIMITS | | | | | | |
| El Paso | | | | | | |
| % AMI | 1 Person | 2 Persons | 3 Persons | 4 Persons | 5 Persons | 6 Persons |
| 30 | \$9,050 | \$10,350 | \$11,650 | \$12,950 | \$14,000 | \$15,000 |
| 60 | \$18,120 | \$20,700 | \$23,280 | \$25,860 | \$27,900 | \$30,000 |

| MARKET ANALYST'S PMA DEMAND by UNIT TYPE (p. 2-22) | | | | | | | |
|--|-----------------|---------------|--------------|--------------|---------------|-------------------------------|--------------|
| Unit Type | Turnover Demand | Growth Demand | Other Demand | Total Demand | Subject Units | Unstabilized Comparable (PMA) | Capture Rate |
| 1 BR/30% Rent Limit | 32 | 2 | 0 | 33 | 9 | 0 | 27% |
| 1 BR/60% Rent Limit | 22 | 0 | 0 | 22 | 67 | 0 | 307% |
| 2 BR/30% Rent Limit | 72 | 3 | 0 | 75 | 4 | 0 | 5% |
| 2 BR/60% Rent Limit | 50 | 3 | 0 | 54 | 48 | 0 | 89% |

| | | | | | | | | | | | | |
|----------------------------------|----|-------------------|----------------|-----------------|--------|--------|-----|-------|-----|-----|------|-----|
| OVERALL DEMAND | | | | | | | | | | | | |
| | | Target Households | Household Size | Income Eligible | Tenure | Demand | | | | | | |
| PMA DEMAND from TURNOVER | | | | | | | | | | | | |
| Market Analyst | p. | N-1 | 22% | 11,906 | 100% | 11,906 | 30% | 3,592 | 17% | 618 | 31% | 193 |
| Underwriter | | | 22% | 12,021 | 100% | 12,021 | 45% | 5,427 | 17% | 934 | 31% | 292 |
| PMA DEMAND from HOUSEHOLD GROWTH | | | | | | | | | | | | |
| Market Analyst | p. | N-1 | | | 100% | 115 | 30% | 35 | 17% | 6 | 100% | 6 |
| Underwriter | | | | | 100% | 118 | 45% | 53 | 17% | 9 | 100% | 9 |
| DEMAND from OTHER SOURCES | | | | | | | | | | | | |
| Market Analyst | p. | N-1 | | | | | | | | | | 14 |
| Underwriter | | | | | | | | | | | | 0 |

| | | | | | | | | |
|------------------------|----|---------------|-------------------------------|-----------------------------------|--------------|-----------------------------|------------------------|--------|
| INCLUSIVE CAPTURE RATE | | | | | | | | |
| | | Subject Units | Unstabilized Comparable (PMA) | Unstabilized Comparable (25% SMA) | Total Supply | Total Demand (w/25% of SMA) | Inclusive Capture Rate | |
| Market Analyst | p. | N-1 | 128 | 0 | 0 | 128 | 213 | 60.00% |
| Underwriter | | | 128 | 0 | 0 | 128 | 301 | 42.48% |

Primary Market Occupancy Rates:

Physical occupancy in a total of 1,527 non-subsidized units was 96.5% and the economic or leased occupancy was 97.6%. Excluding Rio Norte, the 119-unit ILC, the 1,415 non-subsidized units were 96.3% occupied and 97.2% leased. Also, in a total of 148 HTC and HOME units, occupancy was 99.5%. Ten of the 13 properties surveyed reported physical occupancy rates of 96.8% or higher, including 3 with occupancy rates between 96% and 99% and 7 that were 100% occupied. Also, 3 locations had occupancy rates ranging from 90% to 95.5%. Overall, the lowest physical occupancy rate was 92% at The Phoenix, a 336-unit conventional project built in 1993.

Absorption Projections:

Average absorption for the subject is estimated at 10 to 12 units per month, and it is expected that an 9 to 10 month lease-up period will be required to achieve 92.5% occupancy of the 128 units.

| RENT ANALYSIS (Tenant-Paid Net Rents) | | | | | | | |
|---------------------------------------|--------|-----|---------------|-----------------|-------------|-------------------|---------------------|
| Unit Type (% AMI) | | | Proposed Rent | Program Maximum | Market Rent | Underwriting Rent | Savings Over Market |
| 1 BR | 619 SF | 30% | \$160 | \$160 | \$530 | \$156 | \$374 |
| 1 BR | 619 SF | 60% | \$403 | \$403 | \$530 | \$399 | \$131 |
| 2 BR | 789 SF | 30% | \$193 | \$193 | \$640 | \$190 | \$450 |
| 2 BR | 789 SF | 60% | \$484 | \$484 | \$640 | \$481 | \$159 |

Market Impact:

The market study does not explicitly provide an opinion concerning the subject development's impact on the market. Therefore, receipt, review, and acceptance of a statement from the Market Analyst concerning the potential market impact of the proposed development is a condition of this report.

Comments:

The market study provides sufficient information on which to base a funding recommendation. However, it is of concern that the demand by unit type indicates that there is insufficient demand for one bedroom units at 60% of AMI in the PMA. This concern does not affect the funding recommendation.

OPERATING PROFORMA ANALYSIS

Income: Number of Revisions: N/A Date of Last Applicant Revision: N/A

The Applicant's projected rents collected per unit were calculated by subtracting tenant-paid utility allowances as of June 1, 2006, maintained by the Housing Authority of El Paso, from the 2007 program gross rent limits. Tenants will be required to pay electric and natural gas costs. The Underwriter utilized slightly lower utility allowances to be adopted by the Housing Authority on July 1, 2007. Despite this difference, the Applicant's estimate of effective gross income is within 5% of the Underwriter's estimate. In addition, the Applicant's vacancy and collection loss and secondary income estimates are in line with program guidelines.

Expense: Number of Revisions: N/A Date of Last Applicant Revision: N/A

The Applicant's total operating expense estimate of \$3,325 per unit is within 5% of the Underwriter's estimate of \$3,308 per unit. In addition, each of the Applicant's line item projections are in line with the underwriting estimates based on the TDHCA database and third party data sources.

Conclusion:

The Applicant's estimates of effective gross income, operating expense, and net operating income are each within 5% of the Underwriter's estimates; therefore, the Applicant's proforma is used to determine the development's debt capacity and debt coverage ratio (DCR). The Applicant's proforma results in a Year One DCR within current guidelines. However, both the Applicant's and the underwriting proformas result in an expense to income ratio above 65%. Pursuant to 2007 Real Estate Analysis Guidelines §1.32(i)(4), a development cannot be recommended for funding if the Year One proforma results in an expense to income ratio above 65%. Therefore, the subject application is not recommended for an allocation of 9% Housing Tax Credits.

Feasibility:

The underwriting 30-year proforma utilizes a 3% annual growth factor for income and a 4% annual growth factor for expenses in accordance with current TDHCA guidelines. As noted above, the Applicant's base year effective gross income, expense and net operating income were utilized resulting in a debt coverage ratio that remains above 1.15 for the first 15 years. Beyond year 15 the net operating income deteriorates significantly. As indicated above, the Development cannot be characterized as feasible because the initial year proforma results in an expense to income ratio above 65%.

ACQUISITION INFORMATION**ASSESSED VALUE**

| | | | | |
|-----------------------|------------|------------------|---------------|--------------------|
| Land Only: | 7.96 acres | <u>\$443,022</u> | Tax Year: | <u>2006</u> |
| Existing Buildings: | | <u>\$0</u> | Valuation by: | <u>El Paso CAD</u> |
| Total Assessed Value: | | <u>\$443,022</u> | Tax Rate: | <u>3.184811</u> |

EVIDENCE of PROPERTY CONTROL

| | | | | |
|----------------------|--|------------------------------|---|--|
| Type: | <u>Commercial Contract for Unimproved Property and Addendums</u> | | Acreage: | <u>7.957</u> |
| Contract Expiration: | <u>9/10/2007</u> | Valid Through Board Date? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| Acquisition Cost: | <u>\$1,364,753</u> | Other: | <u></u> | |
| Seller: | <u>Franco Construction, Inc</u> | Related to Development Team? | <input type="checkbox"/> Yes | <input checked="" type="checkbox"/> No |

TITLE**Comments:**

Receipt, review, and acceptance of documentation that the development agreement listed as by and between Franco Construction and Carefree Homes in the title commitment has been cleared or will not have an adverse effect on the proposed development is a condition of this report.

CONSTRUCTION COST ESTIMATE EVALUATION

COST SCHEDULE Number of Revisions: N/A Date of Last Applicant Revision: N/A

Acquisition Value:

The site cost of \$171,516 per acre or \$10,662 per unit is assumed to be reasonable since the acquisition is an arm's-length transaction. The Applicant has included \$27,300 in closing costs and legal fees.

Sitework Cost:

The Applicant's claimed sitework costs of \$7,110 per unit are within current Department guidelines. Therefore, further third party substantiation is not required.

Direct Construction Cost:

The Applicant's direct construction cost estimate is \$217K or 4% higher than the Underwriter's Marshall & Swift Residential Cost Handbook-derived estimate.

Contingency & Fees:

The Applicant's contractor fees, developer fee, and contingency are each within the current Department guidelines.

Conclusion:

The Applicant's total development cost is within 5% of the Underwriter's estimate; therefore, the Applicant's cost schedule will be used to determine the development's need for permanent funds and to calculate eligible basis. An eligible basis of \$9,623,212 supports annual tax credits of \$1,069,620. This figure will be compared to the Applicant's request and the tax credits calculated based on the gap in need for permanent funds to determine the recommended allocation.

FINANCING STRUCTURE

SOURCES & USES Number of Revisions: 1 Date of Last Applicant Revision: 3/26/2007

Source: MMA Financial Type: Interim to Permanent Financing

| | | | | | | |
|-----------|--------------------|----------------|--------------|---|-------|-------------------|
| Interim | <u>\$5,145,000</u> | Interest Rate: | <u>8.00%</u> | <input type="checkbox"/> Fixed | Term: | <u>24</u> months |
| Permanent | <u>\$1,600,000</u> | Interest Rate: | <u>7.25%</u> | <input checked="" type="checkbox"/> Fixed | Term: | <u>360</u> months |

Comments:

Investment Builders, Inc.; Investment Builder Development Company; and Ike J Monty are listed as guarantors.

Source: MMA Financial Type: Syndication
Proceeds: \$9,732,568 Syndication Rate: 91% Anticipated HTC: \$ 1,069,620
Comments:

For each dollar the annual credit allocable to MMA less than \$1,069,513 (99.99% of \$1,069,620), the capital contributions will be reduced by \$10.01. A \$250 per unit per year replacement reserve is required.

Amount: \$116,587 Type: Deferred Developer Fees

CONCLUSIONS

Recommended Financing Structure:

The Applicant's total development cost estimate less the permanent loan of \$1,600,000 indicates the need for \$9,849,155 in gap funds. Based on the submitted syndication terms, a tax credit allocation of \$1,082,433 annually would be required to fill this gap in financing. Of the three possible tax credit allocations, Applicant's request (\$1,069,620), the gap-driven amount (\$1,082,433), and eligible basis-derived estimate (\$1,069,620), the Applicant's request \$1,069,620 would be recommended resulting in proceeds of \$9,732,568 based on a syndication rate of 91%.

The financing structure indicates the need for \$116,587 in additional permanent funds. Deferred developer fees in this amount appear to be repayable from development cashflow within three years of stabilized operation. However, a tax credit allocation is not recommended because the development violates the Department rule requiring a Year One expense to income ratio less than or equal to 65% [§1.32(i)(4)].

| | | | |
|-----------------------------------|------------------------|-------|---------------------|
| Underwriter: | <u>Cameron Dorsey</u> | Date: | <u>May 28, 2007</u> |
| Reviewing Underwriter: | <u>Lisa Vecchietti</u> | Date: | <u>May 28, 2007</u> |
| Director of Real Estate Analysis: | <u>Tom Gouris</u> | Date: | <u>May 28, 2007</u> |

MULTIFAMILY COMPARATIVE ANALYSIS

Woodchase Senior Community, El Paso, 9% HTC #07235

| Type of Unit | Number | Bedrooms | No. of Baths | Size in SF | Gross Rent Lmt. | Rent Collected | Rent per Month | Rent per SF | Tnt-Pd Util | WS&T |
|---------------|------------|----------|-----------------|------------|-----------------|----------------|-----------------|---------------|----------------|----------------|
| TC 30% | 9 | 1 | 1 | 619 | \$242 | \$156 | \$1,404 | \$0.25 | \$86.00 | \$34.00 |
| TC 60% | 67 | 1 | 1 | 619 | \$485 | 399 | 26,733 | 0.64 | 86.00 | 34.00 |
| TC 30% | 4 | 2 | 1 | 789 | \$291 | 190 | 760 | 0.24 | 101.00 | 34.00 |
| TC 60% | 48 | 2 | 1 | 789 | \$582 | 481 | 23,088 | 0.61 | 101.00 | 34.00 |
| TOTAL: | 128 | | AVERAGE: | 688 | | \$406 | \$51,985 | \$0.59 | \$92.09 | \$34.00 |

INCOME Total Net Rentable Sq Ft: **88,072**

POTENTIAL GROSS RENT

Secondary Income Per Unit Per Month: \$7.00

Other Support Income:

POTENTIAL GROSS INCOME

Vacancy & Collection Loss % of Potential Gross Income: -7.50%

Employee or Other Non-Rental Units or Concessions

EFFECTIVE GROSS INCOME

| | TDHCA | APPLICANT |
|--|-----------|-----------|
| | \$623,820 | \$629,340 |
| | 10,752 | 10,752 |
| | 0 | 0 |
| | \$634,572 | \$640,092 |
| | (47,593) | (48,007) |
| | 0 | 0 |
| | \$586,979 | \$592,085 |
| | | |
| | \$58,150 | \$48,006 |
| | 34,077 | 29,604 |
| | 99,396 | 103,680 |
| | 38,311 | 34,560 |
| | 32,636 | 42,240 |
| | 26,847 | 26,880 |
| | 22,018 | 28,160 |
| | 70,168 | 73,430 |
| | 32,000 | 32,000 |
| | 5,120 | 5,120 |
| | 3,200 | 3,200 |
| | \$421,922 | \$426,880 |
| | \$165,057 | \$165,205 |
| | \$130,978 | \$130,980 |
| | 0 | 0 |
| | 0 | 0 |
| | \$34,079 | \$34,225 |
| | 1.26 | 1.26 |

| COUNTY | IREM REGION | COMPT. REGION |
|-----------|---------------------------|---------------|
| El Paso | El Paso | 13 |
| \$7.00 | Per Unit Per Month | |
| \$0.00 | Per Unit Per Month | |
| -7.50% | of Potential Gross Income | |
| PER SQ FT | PER UNIT | % OF EGI |
| \$0.55 | \$375 | 8.11% |
| 0.34 | 231 | 5.00% |
| 1.18 | 810 | 17.51% |
| 0.39 | 270 | 5.84% |
| 0.48 | 330 | 7.13% |
| 0.31 | 210 | 4.54% |
| 0.32 | 220 | 4.76% |
| 0.83 | 574 | 12.40% |
| 0.36 | 250 | 5.40% |
| 0.06 | 40 | 0.86% |
| 0.04 | 25 | 0.54% |
| \$4.85 | \$3,335 | 72.10% |
| \$1.88 | \$1,291 | 27.90% |
| \$1.49 | \$1,023 | 22.12% |
| \$0.00 | \$0 | 0.00% |
| \$0.00 | \$0 | 0.00% |
| \$0.39 | \$267 | 5.78% |

EXPENSES

| | % OF EGI | PER UNIT | PER SQ FT |
|--------------------------|---------------|----------------|---------------|
| General & Administrative | 9.91% | \$454 | 0.68 |
| Management | 5.81% | 286 | 0.39 |
| Payroll & Payroll Tax | 16.93% | 777 | 1.13 |
| Repairs & Maintenance | 6.53% | 299 | 0.43 |
| Utilities | 5.58% | 255 | 0.37 |
| Water, Sewer, & Trash | 4.57% | 210 | 0.30 |
| Property Insurance | 3.75% | 172 | 0.25 |
| Property Tax | 3.164811 | 548 | 0.80 |
| Reserve for Replacements | 5.45% | 250 | 0.36 |
| TDHCA Compliance Fees | 0.87% | 40 | 0.06 |
| Other: Support Services | 0.55% | 25 | 0.04 |
| TOTAL EXPENSES | 71.88% | \$3,296 | \$4.79 |
| NET OPERATING INC | 28.12% | \$1,290 | \$1.87 |

DEBT SERVICE

| | % OF EGI | PER UNIT | PER SQ FT |
|----------------------|--------------|--------------|---------------|
| MMA Financial | 22.31% | \$1,023 | \$1.49 |
| Additional Financing | 0.00% | \$0 | \$0.00 |
| Additional Financing | 0.00% | \$0 | \$0.00 |
| NET CASH FLOW | 5.81% | \$266 | \$0.39 |

AGGREGATE DEBT COVERAGE RATIO

RECOMMENDED DEBT COVERAGE RATIO

CONSTRUCTION COST

| Description | Factor | % of TOTAL | PER UNIT | PER SQ FT |
|---------------------------------|--------|----------------|-----------------|-----------------|
| Acquisition Cost (site or bldg) | | 12.50% | \$10,875 | \$15.81 |
| Off-Sites | | 0.00% | 0 | 0.00 |
| Sitework | | 8.17% | 7,110 | 10.33 |
| Direct Construction | | 47.21% | 41,091 | 59.72 |
| Contingency | 3.16% | 1.75% | 1,521 | 2.21 |
| Contractor's Fees | 14.00% | 7.75% | 6,748 | 9.81 |
| Indirect Construction | | 4.17% | 3,629 | 5.27 |
| Ineligible Costs | | 1.53% | 1,330 | 1.93 |
| Developer's Fees | 15.00% | 10.93% | 9,517 | 13.83 |
| Interim Financing | | 3.85% | 3,348 | 4.87 |
| Reserves | | 2.15% | 1,869 | 2.72 |
| TOTAL COST | | 100.00% | \$87,038 | \$126.50 |
| Construction Cost Recap | | 64.88% | \$56,470 | \$82.07 |

| | TDHCA | APPLICANT |
|--|--------------|--------------|
| | \$1,392,053 | \$1,392,053 |
| | 0 | 0 |
| | 910,100 | 910,100 |
| | 5,259,597 | 5,476,700 |
| | 194,700 | 194,700 |
| | 863,758 | 893,500 |
| | 464,460 | 464,460 |
| | 170,190 | 170,190 |
| | 1,218,175 | 1,255,202 |
| | 428,550 | 428,550 |
| | 239,252 | 263,700 |
| | \$11,140,834 | \$11,449,155 |
| | \$7,228,155 | \$7,475,000 |

| PER SQ FT | PER UNIT | % of TOTAL |
|-----------|----------|------------|
| \$15.81 | \$10,875 | 12.18% |
| 0.00 | 0 | 0.00% |
| 10.33 | 7,110 | 7.95% |
| 62.18 | 42,787 | 47.83% |
| 2.21 | 1,521 | 1.70% |
| 10.15 | 6,980 | 7.80% |
| 5.27 | 3,629 | 4.06% |
| 1.93 | 1,330 | 1.49% |
| 14.25 | 9,806 | 10.96% |
| 4.87 | 3,348 | 3.74% |
| 2.99 | 2,060 | 2.30% |
| \$130.00 | \$89,447 | 100.00% |
| \$84.87 | \$58,398 | 65.29% |

SOURCES OF FUNDS

| | % OF EGI | PER UNIT | PER SQ FT |
|---------------------------------|----------|-----------|-----------|
| MMA Financial | 14.36% | \$12,500 | \$18.17 |
| Additional Financing | 0.00% | \$0 | \$0.00 |
| MMA Syndication Proceeds | 87.36% | \$76,036 | \$110.51 |
| Deferred Developer Fees | 1.05% | \$911 | \$1.32 |
| Additional (Excess) Funds Req'd | -2.77% | (\$2,409) | (\$3.50) |
| TOTAL SOURCES | | | |

| | TDHCA | APPLICANT |
|--|--------------|--------------|
| | \$1,600,000 | \$1,600,000 |
| | 0 | 0 |
| | 9,732,568 | 9,732,568 |
| | 116,587 | 116,587 |
| | (308,321) | 0 |
| | \$11,140,834 | \$11,449,155 |

RECOMMENDED

| | |
|--------------|----------------------------|
| \$1,600,000 | Developer Fee Available |
| 0 | \$1,255,202 |
| 9,732,568 | % of Dev. Fee Deferred |
| 116,587 | 9% |
| 0 | 15-Yr Cumulative Cash Flow |
| \$11,449,155 | \$540,084 |

MULTIFAMILY COMPARATIVE ANALYSIS (continued)

Woodchase Senior Community, El Paso, 9% HTC #07235

DIRECT CONSTRUCTION COST ESTIMATE

Marshall & Swift Residential Cost Handbook
Average Quality Townhome Basis

| CATEGORY | FACTOR | UNITS/SQ FT | PER SF | AMOUNT |
|--|---------|-------------|----------------|--------------------|
| Base Cost | | | \$70.82 | \$6,237,265 |
| Adjustments | | | | |
| Exterior Wall Finish | 0.00% | | \$0.00 | \$0 |
| Elderly | 3.00% | | 2.12 | 187,118 |
| 9-Ft. Ceilings | 0.00% | | 0.00 | 0 |
| Roofing | | | 0.00 | 0 |
| Subfloor | | | (1.85) | (162,933) |
| Floor Cover | | | 3.08 | 271,262 |
| Breezeways/Balconies | \$21.65 | 12,372 | 3.04 | 267,854 |
| Plumbing Fixtures | \$965 | (256) | (2.80) | (247,040) |
| Rough-ins | \$425 | 0 | 0.00 | 0 |
| Built-in Appliances | \$2,425 | 128 | 3.52 | 310,400 |
| Exterior Stairs | \$1,850 | 0 | 0.00 | 0 |
| Enclosed Corridors | \$60.90 | 0 | 0.00 | 0 |
| Heating/Cooling | | | 2.43 | 214,015 |
| Garages/Carports | \$9.75 | 20,480 | 2.27 | 199,680 |
| Comm &/or Aux Bldgs | \$66.98 | 3,760 | 2.86 | 251,849 |
| Other: fire sprinkler | \$0.00 | 0 | 0.00 | 0 |
| SUBTOTAL | | | 85.49 | 7,529,468 |
| Current Cost Multiplier | 0.98 | | (1.71) | (150,569) |
| Local Multiplier | 0.88 | | (10.26) | (903,536) |
| TOTAL DIRECT CONSTRUCTION COSTS | | | \$73.52 | \$6,475,343 |
| Plans, specs, survy, bld prm | 3.90% | | (\$2.87) | (\$252,538) |
| Interim Construction Interest | 3.38% | | (2.48) | (218,543) |
| Contractor's OH & Profit | 11.50% | | (8.46) | (744,664) |
| NET DIRECT CONSTRUCTION COSTS | | | \$59.72 | \$5,259,597 |

PAYMENT COMPUTATION

| | | | |
|----------|-------------|-------|------|
| Primary | \$1,800,000 | Amort | 360 |
| Int Rate | 7.25% | DCR | 1.26 |

| | | | |
|-----------|-----|--------------|------|
| Secondary | \$0 | Amort | |
| Int Rate | | Subtotal DCR | 1.26 |

| | | | |
|------------|--|---------------|------|
| Additional | | Amort | |
| Int Rate | | Aggregate DCR | 1.26 |

RECOMMENDED FINANCING STRUCTURE APPLICANT'S NOI

| | |
|-------------------------|-----------------|
| Primary Debt Service | \$130,978 |
| Secondary Debt Service | 0 |
| Additional Debt Service | 0 |
| NET CASH FLOW | \$34,227 |

| | | | |
|----------|-------------|-------|------|
| Primary | \$1,800,000 | Amort | 360 |
| Int Rate | 7.25% | DCR | 1.26 |

| | | | |
|-----------|-------|--------------|------|
| Secondary | \$0 | Amort | 0 |
| Int Rate | 0.00% | Subtotal DCR | 1.26 |

| | | | |
|------------|-------|---------------|------|
| Additional | \$0 | Amort | 0 |
| Int Rate | 0.00% | Aggregate DCR | 1.26 |

OPERATING INCOME & EXPENSE PROFORMA: RECOMMENDED FINANCING STRUCTURE (APPLICANT'S NOI)

| INCOME at 3.00% | YEAR 1 | YEAR 2 | YEAR 3 | YEAR 4 | YEAR 5 | YEAR 10 | YEAR 15 | YEAR 20 | YEAR 30 |
|------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|--------------------|
| POTENTIAL GROSS RENT | \$629,340 | \$648,220 | \$667,667 | \$687,697 | \$708,328 | \$821,146 | \$951,933 | \$1,103,551 | \$1,483,081 |
| Secondary Income | 10,752 | 11,075 | 11,407 | 11,749 | 12,101 | 14,029 | 16,263 | 18,854 | 25,338 |
| Other Support Income: | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| POTENTIAL GROSS INCOME | 640,092 | 659,295 | 679,074 | 699,446 | 720,429 | 835,175 | 968,197 | 1,122,405 | 1,508,419 |
| Vacancy & Collection Loss | (48,007) | (49,447) | (50,931) | (52,458) | (54,032) | (62,638) | (72,615) | (84,180) | (113,131) |
| Employee or Other Non-Rental | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EFFECTIVE GROSS INCOME | \$592,085 | \$609,848 | \$628,143 | \$646,987 | \$666,397 | \$772,537 | \$895,582 | \$1,038,225 | \$1,395,287 |
| EXPENSES at 4.00% | | | | | | | | | |
| General & Administrative | \$48,006 | \$49,926 | \$51,923 | \$54,000 | \$56,160 | \$68,328 | \$83,131 | \$101,141 | \$149,714 |
| Management | 29,604 | 30,492 | 31,407 | 32,349 | 33,320 | 38,627 | 44,779 | 51,911 | 69,764 |
| Payroll & Payroll Tax | 103,680 | 107,827 | 112,140 | 116,626 | 121,291 | 147,569 | 179,540 | 218,438 | 323,342 |
| Repairs & Maintenance | 34,560 | 35,942 | 37,380 | 38,875 | 40,430 | 49,190 | 59,847 | 72,813 | 107,781 |
| Utilities | 42,240 | 43,930 | 45,687 | 47,514 | 49,415 | 60,121 | 73,146 | 88,993 | 131,732 |
| Water, Sewer & Trash | 26,880 | 27,955 | 29,073 | 30,236 | 31,446 | 38,259 | 46,547 | 56,632 | 83,829 |
| Insurance | 28,160 | 29,286 | 30,458 | 31,676 | 32,943 | 40,080 | 48,764 | 59,329 | 87,821 |
| Property Tax | 73,430 | 76,367 | 79,422 | 82,599 | 85,903 | 104,514 | 127,157 | 154,706 | 229,003 |
| Reserve for Replacements | 32,000 | 33,280 | 34,611 | 35,996 | 37,435 | 45,546 | 55,414 | 67,419 | 99,797 |
| Other | 8,320 | 8,653 | 8,999 | 9,359 | 9,733 | 11,842 | 14,408 | 17,529 | 25,947 |
| TOTAL EXPENSES | \$428,880 | \$443,659 | \$461,101 | \$479,231 | \$498,076 | \$604,074 | \$732,732 | \$888,911 | \$1,308,729 |
| NET OPERATING INCOME | \$165,205 | \$166,188 | \$167,042 | \$167,757 | \$168,321 | \$168,463 | \$162,850 | \$149,313 | \$86,558 |
| DEBT SERVICE | | | | | | | | | |
| First Lien Financing | \$130,978 | \$130,978 | \$130,978 | \$130,978 | \$130,978 | \$130,978 | \$130,978 | \$130,978 | \$130,978 |
| 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 | \$34,227 | \$35,211 | \$36,065 | \$36,779 | \$37,343 | \$37,485 | \$31,872 | \$18,335 | (\$44,420) |
| DEBT COVERAGE RATIO | 1.26 | 1.27 | 1.28 | 1.28 | 1.29 | 1.29 | 1.24 | 1.14 | 0.66 |

HTC ALLOCATION ANALYSIS - Woodchase Senior Community, El Paso, 9% HTC #07235

| CATEGORY | APPLICANT'S TOTAL AMOUNTS | TDHCA TOTAL AMOUNTS | APPLICANT'S REHAB/NEW ELIGIBLE BASIS | TDHCA REHAB/NEW ELIGIBLE BASIS |
|--------------------------------|---------------------------------|---------------------------|--|--------------------------------------|
| Acquisition Cost | | | | |
| Purchase of land | \$1,392,053 | \$1,392,053 | | |
| Purchase of buildings | | | | |
| Off-Site Improvements | | | | |
| Sitework | \$910,100 | \$910,100 | \$910,100 | \$910,100 |
| Construction Hard Costs | \$5,476,700 | \$5,259,597 | \$5,476,700 | \$5,259,597 |
| Contractor Fees | \$893,500 | \$863,758 | \$893,500 | \$863,758 |
| Contingencies | \$194,700 | \$194,700 | \$194,700 | \$194,700 |
| Eligible Indirect Fees | \$464,460 | \$464,460 | \$464,460 | \$464,460 |
| Eligible Financing Fees | \$428,550 | \$428,550 | \$428,550 | \$428,550 |
| All Ineligible Costs | \$170,190 | \$170,190 | | |
| Developer Fees | | | \$1,255,202 | |
| Developer Fees | \$1,255,202 | \$1,218,175 | | \$1,218,175 |
| Development Reserves | \$263,700 | \$239,252 | | |
| TOTAL DEVELOPMENT COSTS | \$11,449,155 | \$11,140,834 | \$9,623,212 | \$9,339,340 |

| 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 | | \$9,623,212 | \$9,339,340 |
| High Cost Area Adjustment | | 130% | 130% |
| TOTAL ADJUSTED BASIS | | \$12,510,175 | \$12,141,141 |
| Applicable Fraction | | 100% | 100% |
| TOTAL QUALIFIED BASIS | | \$12,510,175 | \$12,141,141 |
| Applicable Percentage | | 8.55% | 8.55% |
| TOTAL AMOUNT OF TAX CREDITS | | \$1,069,620 | \$1,038,068 |

Syndication Proceeds 0.9099 \$9,732,568 \$9,445,470

Total Tax Credits (Eligible Basis Method) \$1,069,620 \$1,038,068

 Syndication Proceeds \$9,732,568 \$9,445,470

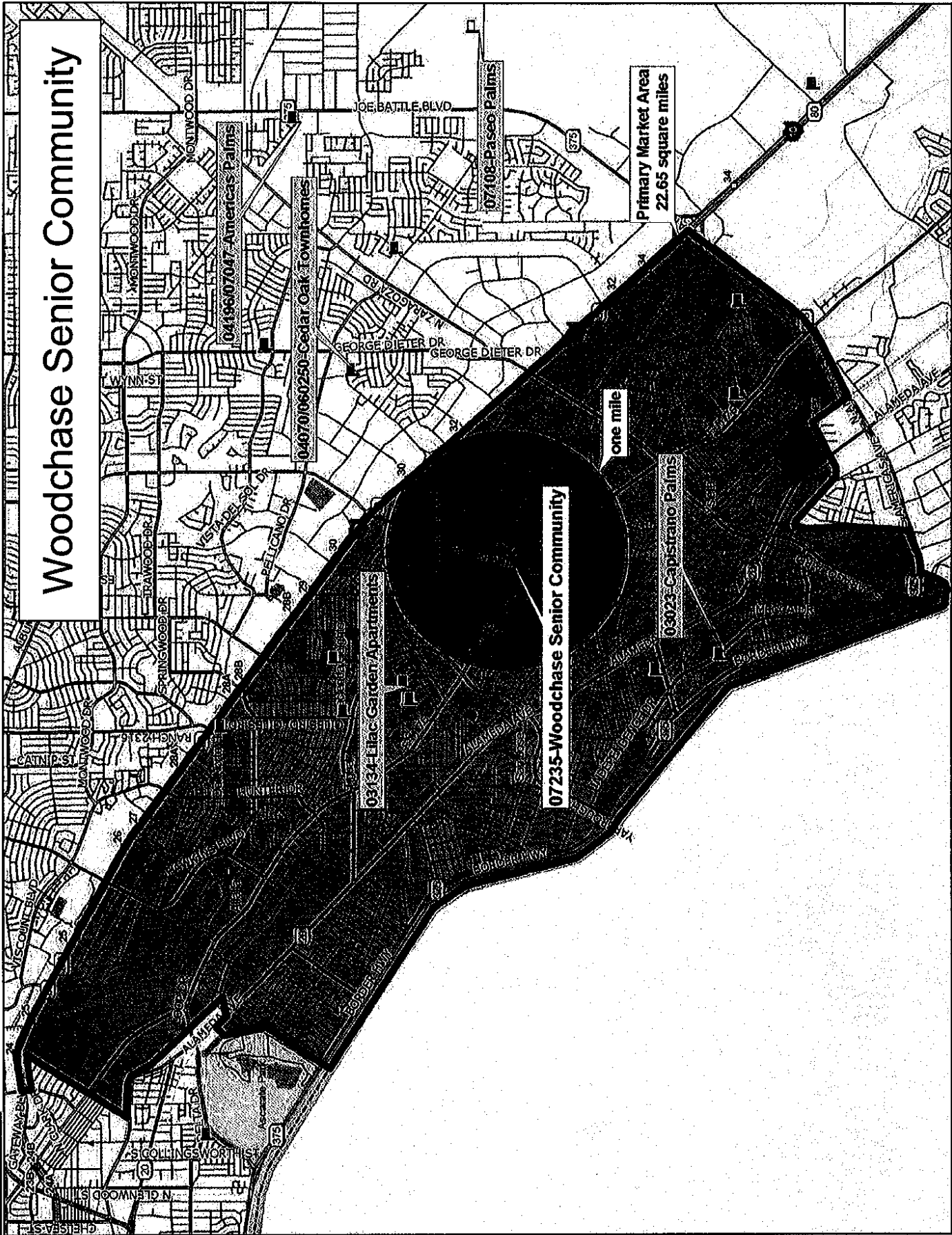
 Requested Tax Credits **\$1,069,620**

 Syndication Proceeds \$9,732,568

Gap of Syndication Proceeds Needed \$9,849,155

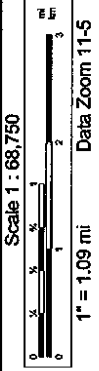
Total Tax Credits (Gap Method) \$1,082,433

Woodchase Senior Community



Primary Market Area
22.65 square miles

one mile



7

Volume 1, Table 4: Funding Request

PART A. Summary Sources and Uses of Funds

Describe all sources of funds and total uses of funds. Information must be consistent with the information provided throughout the Application (i.e. Financing Participants and Development Cost Schedule forms). Where funds such as tax credits, loan guarantees, bonds are used, only the proceeds going into the development should be identified so that "sources" match "uses."

Applicants must attach a written narrative to this form that describes the financing plan for the Development. The narrative shall include: (a) any non-traditional financing arrangements; (b) the use of funds with respect to the Development; (c) the funding sources for the Development including construction, permanent and bridge loans, rents, operating subsidies, and replacement reserves; and (d) the commitment status of the funding sources

Development Name: **Woodchase Senior Community**

| Source # | Funding Description | Priority of Lien | Construction or Rehab. Loan Stage Amt. | Permanent Loan Stage Amount | Financing Participants |
|-------------------------------|--|------------------|--|-----------------------------|---------------------------|
| 1 | Conventional Loan | 1st | \$ 5,145,000 | \$ 1,715,000 | MMA Financial, Inc. |
| 2 | Conventional Loan/FHA | | | | |
| 3 | Conventional Loan/Letter of Credit | | | | |
| 4 | HOME | | | | |
| 5 | Housing Trust Fund | | | | |
| 6 | CDBG | | | | |
| 7 | Mortgage Revenue Bonds | | | | |
| 8 | HTC Syndication Proceeds | | \$ 5,839,542 | \$ 9,732,568 | MMA Financial, Inc. |
| 9 | Historic Tax Credit Syndication Proceeds | | | | |
| 10 | USDA/ TXRD Loan(s) | | | | |
| 11 | Other Federal Loan or Grant | | | | |
| 12 | Other State Loan or Grant | | | | |
| 13 | Local Government Loan or Grant | | | | |
| 14 | Private Loan or Grant | | | | |
| 15 | Cash Equity | | | | |
| 16 | In-Kind Equity/Deferred Developer Fee | | \$ 466,338 | \$ 3,312 | Investment Builders, Inc. |
| TOTAL SOURCES OF FUNDS | | | \$ 11,450,880 | \$ 11,450,880 | |
| TOTAL USES OF FUNDS | | | \$ 11,450,880 | \$ 11,450,880 | |

⁽¹⁾ Indicate Exclusive Use Financing Participant only where funds from that source are dedicated only for a specific purpose, i.e. CDBG infrastructure funds used only for off-site construction

Volume 1, Tab 2, Populations Served

Part B. Rent Schedule (Cont.)

| | | |
|-----------------|---------------------|------------|
| HOUSING | TC30% | 13 |
| | TC40% | 0 |
| | TC50% | 0 |
| | TC60% | 115 |
| | HTC LI Total | 128 |
| TAX | TCEO | 0 |
| | MR | 0 |
| CREDITS | MR Total | 0 |
| | TC Total | 128 |
| MORTGAGE | MRB30% | 0 |
| | MRB40% | 0 |
| | MRB50% | 0 |
| | MRB60% | 0 |
| REVENUE | MRB LI Total | 0 |
| | MRBMR | 0 |
| BOND | MRBMR Total | 0 |
| | MRB Total | 0 |

| | | |
|----------------|----------------|---|
| HOUSING | HTF30% | 0 |
| | HTF40% | 0 |
| | HTF50% | 0 |
| | HTF60% | 0 |
| | HTF80% | 0 |
| TRUST | HTF LI Total | 0 |
| | MR | 0 |
| FUND | MR Total | 0 |
| | HTF Total | 0 |
| HOME | HOME HH | 0 |
| | HOME LH | 0 |
| | HOME LI Total | 0 |
| | MR/EO | 0 |
| | MR | 0 |
| | MR Total | 0 |
| | HOME Total | 0 |
| OTHER | Total OT Units | 0 |

Note: Pursuant to 49.9(h)(7)(C), any local, state or federal financing identified in this section which restricts household incomes at any AMGI lower than restrictions required pursuant to the Rules must be identified in the Rent Schedule and the local, state or federal income restrictions must include corresponding rent levels that do not exceed 30% of the income limitation in accordance with §42(g), Internal Revenue Code. The income and corresponding rent restrictions will be continuously maintained over the compliance and extended use period as specified in the LURA.

8



MMA Financial, Inc.

900 17th Street, NW, Suite 350
Washington, D.C. 20006
T 202.777.0920 F 202.466.5273

A MuniMae Company

June 4, 2007

Christopher E. Tawa
Senior Vice President
202-777-0906
202-466-5273 fax

Ike J. Monty
Woodchase Senior Community, Ltd.
8800 Yermoland Drive
Suite A
El Paso, TX 79907-1804

Re: Woodchase Senior Community
El Paso, TX

Dear Mr. Monty:

MMA Financial, Inc. ("MMA") is pleased to offer a firm commitment for the construction and permanent financing for Woodchase Senior Community owned by Woodchase Senior Community, Ltd. ("Borrower"). It is our understanding that the property is expecting to receive a preliminary reservation of low-income housing tax credits from the State of Texas.

The construction loan will be in the amount not to exceed \$5,145,000 at an interest-only rate of 30-day LIBOR + 2.50%; as of today the rate would be 8.00%. Upon lease-up of the property, 1.15 debt service coverage, and 90% occupancy for 90 days, the construction loan will be repaid. MMA will fund a non-recourse first mortgage permanent loan with an 18-year term and 30-year amortization schedule.

Based on the information provided by the developer, the project will have operating expenses of \$407,296, a net operating income of \$179,683, and a debt service amount of \$141,792. It is MMA's assessment that the development is feasible for thirty years and MMA analysis illustrates that the development will maintain a 1.15 debt coverage ratio throughout the initial fifteen-year period.¹

Loans will be subject to the following terms provided below:

| | |
|-----------------------|---|
| Borrower | Woodchase Senior Community, Ltd. |
| Loan Limits | Maximum of 90% LTV or minimum of 1.15x DSC |
| Permanent Loan Amount | \$1,715,000 |
| Permanent Rate | 7.3% (240 basis points over the 10-year US Treasury fixed at loan funding) |
| Permanent Loan Term | 18 years |
| Amortization Period | 30 years |
| MMA Financing Fee | Greater of \$25,000 or 1% of perm loan amount |
| MMA Due Diligence Fee | \$12,500 applied to third party reports |
| MMA Application fee | \$5,000 |
| MMA Legal Counsel | \$15,000 |
| Expected Timing | 120 to 180 days to close from final award of housing credits |
| Required Escrows | Taxes, Insurance, Replacement Reserves Security Security shall include but not be limited to a promissory note secured by first mortgage or deed of trust encumbering the property including all personal property, assignment of leases, etc. |

¹ Long-term feasibility analysis is attached.

| | |
|------------------------------|---|
| Construction Loan Amount | \$5,145,000 |
| Construction Loan Term | 24 months |
| Terms of Repayment | 90% occupancy for 90 days at 1.15 debt coverage |
| Construction Rate | 30-day LIBOR plus 2.50% (8.00% as of today) |
| Construction Origination Fee | 100 basis points plus bank expenses (legal, construction services, appraisal) |
| Guarantee | Investment Builders, Inc., Investment Builders Development Company, Inc. and Ike J. Monty ("Guarantor(s)") |
| Equity Requirement | Equity Commitment from MMA (see #3 below) |
| Due Diligence Costs | Third party engineering, credit reports, appraisal and environmental reports will be paid for by the Borrower Closing Expenses Borrower will pay all closing costs including legal, survey and title insurance |

Additional Terms to the loans are as follows:

1. The development team shall be acceptable to MMA and the Texas Department of Housing and Community Affairs ("TDHCA"), including but not limited to the Third Party Engineer, Construction Supervisor, Management Company and General Contractor.
2. Allocation of approximately \$1,069,620 in annual State of Texas Year 2007 Low Income Housing Tax Credits, which are the subject of the Borrower's application to the Texas Department of Housing and Community Affairs.
3. Acceptable agreement to purchase the tax credits by MMA, which is evidenced by the Equity Commitment from MMA dated February 21, 2007.
4. Environmental assessment, performed by a qualified environmental engineer satisfactory to MMA and TDHCA, showing the land is clear of any hazardous material or contamination prior to the closing of the loan.
5. Final drawings and specifications, plan and cost review, soil analysis, engineering/structural review and an acceptable appraisal prepared by entities acceptable to MMA and TDHCA, presented within the TDHCA underwriting period, which confirm the costs and operating projections as presented in the application to MMA for financing and in the TDHCA application for funding and/or Tax Credit Allocation.
6. The Guarantor will guarantee lien free completion, payment (principal and interest) and performance for the construction period. The loan will be non-recourse to the Guarantor when converted to the permanent phase.
7. Loan proceeds will be funded in accordance with the approved construction budget.
8. Standard representations and warranties and terms and conditions as are typical in such financing may be required by MMA or its counsel.
9. CPA reviewed 2007 financial statements showing no material adverse changes in the Guarantors' financial condition are to be received prior to closing.
10. During the life of the permanent loan, the borrower will supply financial statements including rent rolls annually, will escrow taxes, insurance and reserves for operations and maintenance, will maintain debt service coverage on the first mortgage and will maintain the property in compliance with the requirements of the TDHCA and the Tax Credit Investment agreements.
11. Financial statements for Investment Builders, Inc. ("General Partner") are to be received prior to closing. Financial statements will be provided on an annual basis thereafter.
12. Upon issuance of the Certificate of Occupancy, the borrower will begin providing quarterly operating statements.
13. This commitment is valid through August 31, 2007.

MMA Financial, Inc.
Woodchase Senior Community
June 4, 2007

Page 3 of 3

If you have any questions, please let me know. We look forward to working with you.

Sincerely,



Christopher Tawa
Senior Vice President

I hereby agree to all of the terms set forth herein as indicated by my signature below:

Woodchase Senior Community, Ltd.
By: Investment Builders, Inc., its general partner

By: Ike J. Monty
President

cc: Keith Gloeckl
Devin Sanderson

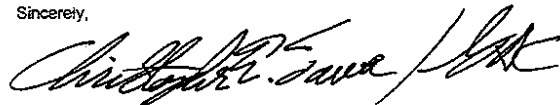
30 YEAR PROJECTED DEBT SERVICE COVERAGE

Date: 04-Jun-07
 Property Name: Woodchase Senior Community
 Number of Units: 128

| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 15 | 20 | 25 | 30 |
|--------------------------|-------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|
| INCOME | | | | | | | | | | | | | | | |
| Gross Potential Rent | | \$ 623,820 | \$642,535 | \$661,811 | \$681,665 | \$702,115 | \$723,178 | \$744,873 | \$767,219 | \$790,236 | \$813,943 | \$943,583 | \$1,093,870 | \$1,268,096 | \$1,470,071 |
| Less Vacancy: | 7.50% | (46,787) | (48,190) | (49,636) | (51,125) | (52,659) | (54,238) | (55,141) | (53,705) | (55,317) | (56,976) | (66,051) | (76,571) | (88,767) | (102,906) |
| Less Bad Debt: | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Less Concessions: | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Rental Income | | \$ 577,034 | \$594,345 | \$612,175 | \$630,540 | \$649,456 | \$668,940 | \$689,732 | \$713,514 | \$734,919 | \$756,967 | \$877,532 | \$1,017,299 | \$1,179,329 | \$1,367,166 |
| Laundry | 3.00% | \$ - | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Parking | 3.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other Income | 3.00% | 9,946 | 10,244 | 10,551 | 10,868 | 11,194 | 11,530 | 11,876 | 12,232 | 12,599 | 12,977 | 15,043 | 17,439 | 20,217 | 23,438 |
| EGI | | \$ 586,979 | \$ 604,589 | \$ 622,726 | \$ 641,408 | \$ 660,650 | \$ 680,470 | \$ 704,608 | \$ 725,746 | \$ 747,518 | \$ 769,944 | \$ 892,575 | \$ 1,034,738 | \$ 1,199,546 | \$ 1,390,604 |
| EXPENSES | | | | | | | | | | | | | | | |
| Management (%EGI) | 5.00% | \$ 29,349 | \$30,229 | \$31,136 | \$32,070 | \$33,033 | \$34,023 | \$35,230 | \$36,287 | \$37,376 | \$38,497 | \$44,629 | \$51,737 | \$59,977 | \$69,530 |
| Administration | 4.00% | 49,817 | 51,810 | 53,882 | 55,937 | 58,278 | 60,609 | 63,033 | 65,554 | 68,176 | 70,803 | 86,266 | 104,955 | 127,693 | 155,359 |
| Payroll | 4.00% | 103,680 | 107,627 | 112,140 | 116,626 | 121,291 | 126,143 | 131,189 | 136,437 | 141,894 | 147,570 | 179,541 | 218,440 | 265,767 | 323,346 |
| Utilities | 4.00% | 42,240 | 43,990 | 45,887 | 47,514 | 49,415 | 51,392 | 53,448 | 55,586 | 57,809 | 60,121 | 73,146 | 88,994 | 108,274 | 131,732 |
| Water & Sewer | 4.00% | 26,880 | 27,955 | 29,073 | 30,236 | 31,445 | 32,703 | 34,011 | 35,371 | 36,786 | 38,257 | 46,544 | 56,628 | 68,897 | 83,824 |
| Repair & Maint. | 4.00% | 34,560 | 35,942 | 37,380 | 38,875 | 40,430 | 42,047 | 43,729 | 45,478 | 47,297 | 49,189 | 59,846 | 72,812 | 88,586 | 107,778 |
| Insurance | 4.00% | 28,160 | 29,286 | 30,457 | 31,675 | 32,942 | 34,280 | 35,630 | 37,055 | 38,537 | 40,078 | 48,760 | 59,324 | 72,177 | 87,816 |
| R.E. Taxes | 4.00% | 52,290 | 54,382 | 56,557 | 58,819 | 61,172 | 63,619 | 66,164 | 68,811 | 71,563 | 74,426 | 90,551 | 110,169 | 134,037 | 163,076 |
| Other Expenses | 4.00% | 8,320 | 8,653 | 8,999 | 9,359 | 9,733 | 10,122 | 10,527 | 10,948 | 11,386 | 11,841 | 14,407 | 17,527 | 21,324 | 25,944 |
| Replacement Reserves | | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 | 32,000 |
| Total Expenses | | \$ 407,296 | \$422,014 | \$437,311 | \$453,211 | \$469,739 | \$486,918 | \$504,961 | \$523,527 | \$542,824 | \$562,882 | \$675,689 | \$812,586 | \$978,732 | \$1,180,405 |
| NOI | | \$ 179,683 | \$ 182,574 | \$ 185,415 | \$188,197 | \$190,912 | \$193,551 | \$196,646 | \$202,218 | \$204,695 | \$207,062 | \$216,886 | \$222,152 | \$220,814 | \$210,199 |
| DSC | | 1.27 | 1.29 | 1.31 | 1.33 | 1.35 | 1.37 | 1.41 | 1.43 | 1.44 | 1.46 | 1.53 | 1.57 | 1.56 | 1.48 |

We acknowledge that his ProForma substantially matches the assumptions used in our underwriting and due diligence of the mortgage.

Sincerely,



Christopher Tawa
 Senior Vice President
 MMA Financial, Inc.

9



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Jurisdiction Information for 2006

Account No.: C73199901300100

Exemptions: None

| <i>Jurisdictions</i> | <i>Market Value</i> | <i>Exemption Value</i> | <i>Taxable Value</i> | <i>Tax Rate</i> | <i>Levy</i> |
|----------------------------|---------------------|------------------------|----------------------|-----------------|-------------|
| CITY OF EL PASO | \$197,678 | \$0.00 | \$197,678.00 | 0.672326 | \$1,329.04 |
| COUNTY OF EL PASO | \$197,678 | \$0.00 | \$197,678.00 | 0.39139 | \$773.69 |
| EL PASO COMMUNITY COLLEGE | \$197,678 | \$0.00 | \$197,678.00 | 0.120998 | \$239.19 |
| R E THOMASON GEN. HOSPITAL | \$197,678 | \$0.00 | \$197,678.00 | 0.186 | \$367.68 |
| YSLETA ISD | \$197,678 | \$0.00 | \$197,678.00 | 1.54 | \$3,044.24 |



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Jurisdiction Information for 2006

Account No.: C73199901500100**Exemptions:** None

| <i>Jurisdictions</i> | <i>Market Value</i> | <i>Exemption Value</i> | <i>Taxable Value</i> | <i>Tax Rate</i> | <i>Levy</i> |
|----------------------------|---------------------|------------------------|----------------------|-----------------|-------------|
| CITY OF EL PASO | \$245,344 | \$0.00 | \$245,344.00 | 0.672326 | \$1,649.51 |
| COUNTY OF EL PASO | \$245,344 | \$0.00 | \$245,344.00 | 0.39139 | \$960.25 |
| EL PASO COMMUNITY COLLEGE | \$245,344 | \$0.00 | \$245,344.00 | 0.120998 | \$296.86 |
| R E THOMASON GEN. HOSPITAL | \$245,344 | \$0.00 | \$245,344.00 | 0.186 | \$456.34 |
| YSLETA ISD | \$245,344 | \$0.00 | \$245,344.00 | 1.54 | \$3,778.30 |

**2007 Property Tax Valuation
Woodchase Seniors**

| | | |
|----|--|--------------|
| 1 | Total Units | 128 |
| 2 | Total Revenue | \$ 586,982 |
| 3 | Total Expenses | \$ 407,296 |
| 4 | Expense Adjustments For NOI - | |
| 5 | Taxes | (52,290) |
| 6 | Interest | 0 |
| 7 | Loan Extension Fees (-) Abated (+) | 0 |
| 8 | Depreciation & Amortization | 0 |
| 9 | Replacement Reserve Deposits Made | 0 |
| 10 | Other Adjustments | 0 |
| 11 | Total Adjusted Expenses w/o RE Taxes | \$ 355,006 |
| 12 | Total Revenue | 586,982 |
| 13 | Total Adjusted Expenses w/o RE Taxes | (355,006) |
| 14 | Net Operating Income Before RE Taxes | \$ 231,976 |
| 15 | Published Cap Rate For Program Housing | 10.000% |
| 16 | Combined RE Tax Rate | 2.91000% |
| 17 | Rate To Determine RE Tax Valuation | 12.91000% |
| 18 | Real Estate Tax Valuation | \$ 1,796,871 |
| 19 | Real Estate Tax Valuation Per Unit | \$ 14,038 |
| 20 | Calculated Real Estate Taxes | \$ 52,289 |
| 21 | Calculated Real Estate Taxes Per Unit | \$ 409 |



El Paso Central Appraisal District
5801 Trowbridge Drive
El Paso, Texas 79925

2007

SETTLEMENT AND WAIVER OF PROTEST

P.I.D.# DA17-000-0010-2400 TO -4700 DATE: 3/29/2007

LEGAL DESCRIPTION:

DA17-000-0030-1300 TO -2400
BLOCK 1 DESERT BREEZE UNIT/LOTS 24 TO 47.
BLOCK 3 DESERT BREEZE UNIT/LOTS 13 TO 24.

I acknowledge that the subject matter of the protest filed on the above date concerning the property described above has been settled to my satisfaction. I hereby withdraw my protest and waive my right to any further proceeding in this matter.

Original Value: _____ Proposed Value: \$1,023,259

Reason for action:

BASED ON ACTUAL INCOME OF LOW
INCOME TAX CREDIT RESTRICTIONS.
PROPERTY WILL BE COMBINED INTO TWO
ACCOUNTS FOR 2007.

[Signature]
Owner or Authorized Agent

3-29-07
Date

RICK MEDINA
Initiating Appraiser

3/29/2007
Date

Approved by:
[Signature]
Chief Appraiser or Authorized Delegate

3-29-07
Date

Chief Appraiser or Authorized Delegate

Date

Reviewed by:

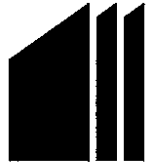
Appraisal Review Board Chairman

Date

**2007 Property Tax Valuation
Desert Breeze Homes**

| | | | |
|----|---|-----------------------|---------------------|
| 1 | | Total Units | 36 |
| 2 | | Total Revenue | \$ 219,721 |
| 3 | | Total Expenses | \$ 453,303 |
| 4 | Expense Adjustments For NOI - | | |
| 5 | Taxes | | (55,390) |
| 6 | Interest | | (168,203) |
| 7 | Loan Extension Fees (-) Abated (+) | | (14,633) |
| 8 | Depreciation & Amortization | | (130,989) |
| 9 | Replacement Reserve Deposits Made | | 0 |
| 10 | Other Adjustments | | 0 |
| 11 | Total Adjusted Expenses w/o RE Taxes | | \$ 84,088 |
| 12 | | Total Revenue | 219,721 |
| 13 | Total Adjusted Expenses w/o RE Taxes | | (84,088) |
| 14 | Net Operating Income Before RE Taxes | | \$ 135,633 |
| 15 | Published Cap Rate For Program Housing | | 10.000% |
| 16 | Combined RE Tax Rate | | 3.25500% |
| 17 | Rate To Determine RE Tax Valuation | | 13.25500% |
| 18 | Real Estate Tax Valuation | | \$ 1,023,259 |
| 19 | Real Estate Tax Valuation Per Unit | | \$ 28,424 |

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June 4, 2007

As indicated by the current survey, the C-OP zoning extends 17.6 feet from the northern-most property line and no parts of any buildings are contained within the 25 foot setback from the property line. The project may be built as is without any zoning changes required.

Keith Puhlman
Senior Vice President
Development & Finance

Roe Engineering, L.C.

Civil Engineering • Land Development • Planning • Surveying

June 5, 2007

Texas Department of Housing and Community Affairs
Attn: Michael Gerber, Executive Director
221 East 11th Street
Austin, TX 78701

Re: Wood Chase Senior Community - TDHCA #07235 - Lot 1, Block 13, Colonia del Carmen,
Unit Four, El Paso County, Texas

Dear Mr. Gerber:

I have analyzed the site plan furnished by Investment Builders in reference to a possible encroachment into the property zoned C-OP by the proposed structures at the North end of the project adjacent to Assyria Drive. Moving the proposed buildings to the South 1.0' would eliminate any encroachment into the property zoned C-OP.

If you have any questions concerning this matter, please feel free to call me.

Sincerely,



Bradley Roe, P.E., R.P.L.S.

Cc: Investment Builders

File: TDHCA.Gerber

Woodchase Senior Community, Ltd.

128 UNIT 4-PLEX - ELDERLY APARTMENT COMPLEX

8410 & 8411 TIGRIS DRIVE

EL PASO, TEXAS

INVESTMENT BUILDERS, INC.
DEVELOPER

BUILDING DATA

| TYPE | QTY. | BLDGs. | S.F./UNIT | TOTAL |
|------------------------------|------|--------|-------------|------------------------|
| 1 BEDROOM | 76 | 19 | 619.00 S.F. | 47,044.00 S.F. |
| 2 BEDROOM | 62 | 13 | 789.00 S.F. | 41,028.00 S.F. |
| TOTAL LIVABLE Sq. Ft. | | | | 88,072.00 S.F. |
| TOTAL UNITS: 128 | | | | |
| COVERED AREAS | | | | 9,918.00 S.F. |
| STORAGE AREAS | | | | 2,430.00 S.F. |
| CLUBHOUSE (LIVING) | | | | 3,160.00 S.F. |
| CLUBHOUSE PATIOS | | | | 432.00 S.F. |
| MAINTENANCE BUILDING | | | | 600.00 S.F. |
| POOL EQUIPMENT | | | | 81.00 S.F. |
| GAZEBO/WALDBOXES (2) | | | | 368.00 S.F. |
| TOTAL BUILDING AREA | | | | 105,079.00 S.F. |

LEGAL DESCRIPTION

8410 & 8411 TIGRIS DR.
LOT 1, BLOCK 13, AND LOT 1, BLOCK 15, COLONIA DEL CARNER
UNIT 4, CITY OF EL PASO, EL PASO COUNTY, TEXAS

FLOOD ZONE: C

ZONING: C1/SC

FRONT YARD SETBACK: 20' ; REAR YARD SETBACK: 25' ;
SIDE YARD SETBACK: 5' ; SIDE STREET SETBACK: 10'

PARKING DATA

| TYPE | AMOUNT | REQUIRED | TOTAL |
|-----------------------|--------|----------|------------|
| 1 BEDROOM | 76 | 1 / UNIT | 76 |
| 2 BEDROOM | 62 | 2 / UNIT | 104 |
| TOTAL REQUIRED | | | 180 |
| TOTAL SHOWN | | | 200 |

OTHER UNIT DATA

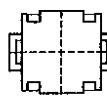
| | TOTAL UNITS | REQUIRED | PROVIDED |
|-----------------|-------------|----------|----------|
| H.C. ACCESSIBLE | 128 | 5% | 7 |
| V.H.I. UNITS | 128 | 2% | 3 |

LEGEND

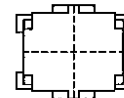
- PROPERTY/BOUNDARY LINE
- EASEMENT & BLDG. LINE
- PERIMETER FENCE



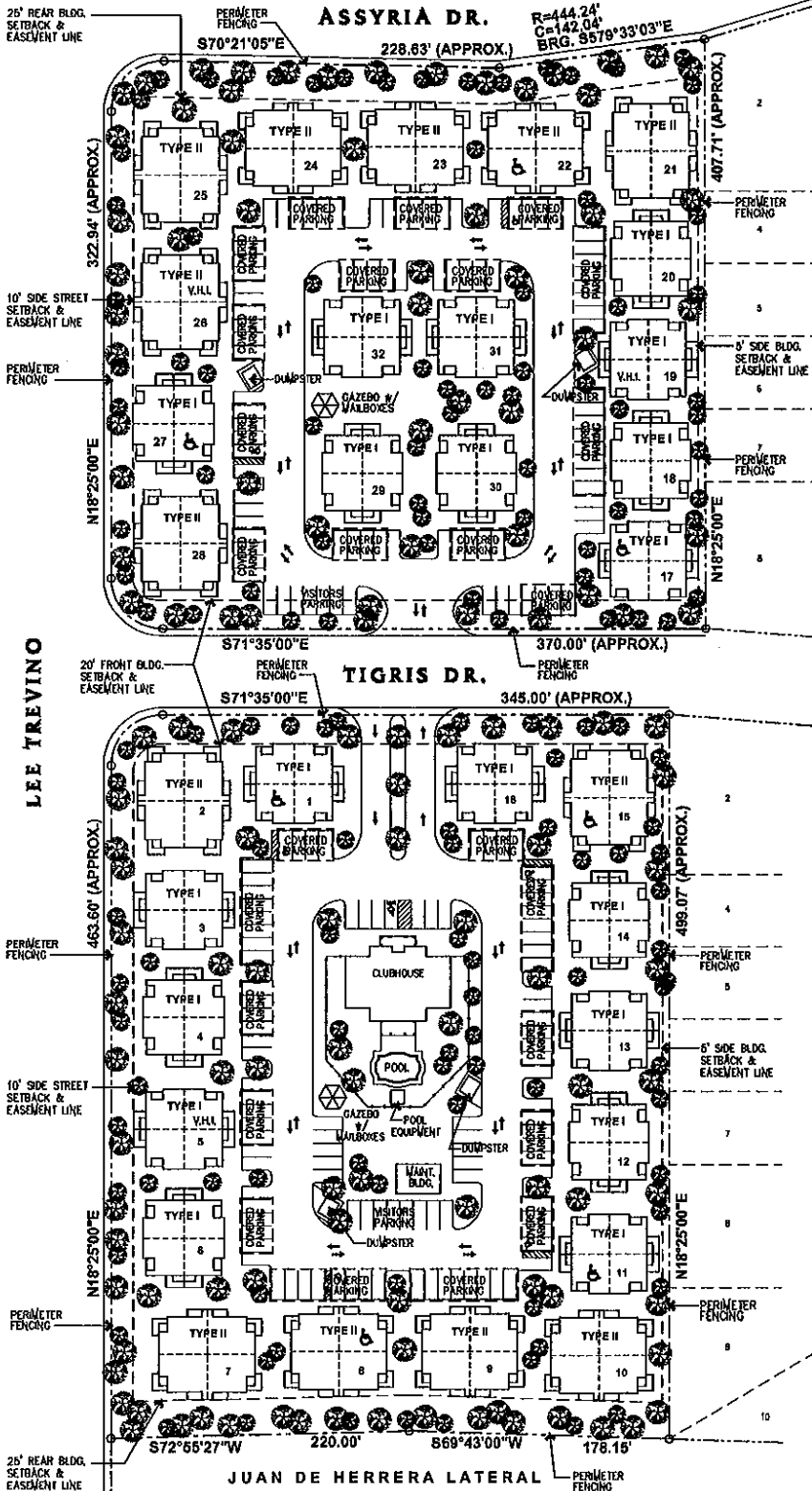
HANDICAP ACCESSIBLE UNIT



BUILDING TYPE I
4 UNITS / 1 BED.



BUILDING TYPE II
4 UNITS / 2 BED.



SITE PLAN

NOT TO SCALE

Investment Builders, Inc.



11

Ipser & Associates, Inc.

2616 Stadium Drive Fort Worth, Texas 76109-1371
817/927-2838 Fax 817/927-0032 Cell 817/946-8969
e-mail ipser@ipserassoc.com

June 2, 2007

Texas Department of Housing & Community Affairs
221 East 11th Street
Austin, Texas 78701-2410

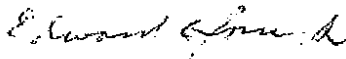
Subject: Woodchase Senior Community
8410 and 8411 Tigris Drive
El Paso, El Paso County, Texas

Dear Sir:

We have been requested to comment regarding the potential market impact of the proposed development, Woodchase Senior Community, on the existing elderly projects in the vicinity of the subject. The last elderly project awarded tax credits was in 2001, Parkside Senior Community located about three miles northeast of the subject. Within the market area, the last elderly project awarded credits was in 1997, the 56-unit Western Carolina complex located about 2.5 miles northwest of the subject. Our survey of four elderly complexes in eastern El Paso (excluding a full service project) found 66 applicants on the waiting list with 100% occupancy in three of these projects, and 98.2% occupancy in the fourth with 30 of the 66 on its waiting list. The survey of eight family complexes in eastern El Paso found 136 elderly residing in the family units.

The high occupancy with waiting lists indicates that the proposed 128-unit Woodchase Senior Community will not have any significant impact on the existing elderly complexes, nor the family complexes where seniors may choose to relocate to a new elderly housing complex.

Sincerely,



Edward A. Ipser, Sr.

07235 Woodchase Senior Community

Executive Director's Response



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

www.tdhca.state.tx.us

Rick Perry
GOVERNOR

Michael Gerber
EXECUTIVE DIRECTOR

BOARD MEMBERS
Elizabeth Anderson, *Chair*
Shadrick Bogany
C. Kent Conine
Sonny Flores
Gloria Ray
Norberto Salinas

June 7, 2007

Mr. Ike Monty
Woodchase Senior Community, Ltd.
8800 Yermoland Suite A
El Paso, TX 79907
Telephone: (915) 599-1245
Telecopier: (915) 594-0434

Re: Executive Director Appeal for Woodchase Senior Community

Dear Mr. Monty:

Appeal Review

I have reviewed the subject application, as well as your appeal that was received on June 3, 2007 regarding the underwriting recommendation. Pursuant to the following Department guidelines, Woodchase Senior Community was not recommended for a Housing Tax Credit award:

- The Applicant's and Underwriter's expense to income ratios exceed the Department's maximum of 65% per the 2007 Real Estate Analysis Rules and Guidelines §1.32(i)(4).

You have not contested that the application did not satisfy the 65% expense to income ratio test at application. Rather, you are asking: 1) that staff either look to new information with regard to property taxes which you have indicated, will not by itself resolve the expense to income ratio issue and/or 2) for a waiver of this requirement. However, only the TDHCA Board can contemplate a waiver of the said rule.

I have determined that the Department's rules and guidelines were applied evenly, fairly, and as originally intended during the course of the underwriting analysis and in making the recommendation.

Appeal Determination

The appeal is denied.

Pursuant to Title 10 Texas Administrative Code Section 1.7 you have requested that your appeal, if denied by me, be filed with the Board and heard at its next regularly scheduled meeting. This appeal will be considered by the Board at the June 14, 2007 Board meeting.

If you have questions or comments, please call me or Tom Gouris, Director of our Real Estate Analysis Division at (512) 475-1470.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Gerber", with a stylized flourish at the end.

Michael Gerber
Executive Director

MGG : CFD

REPORT ITEMS

ORAL PRESENTATION



TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

Memorandum

To: Michael Gerber
From: Gordon Anderson
cc: Brooke Boston, Michael Lyttle
Date: May 31, 2007
Re: TDHCA Outreach Activities

The attached document highlights outreach activities on the part of TDHCA staff for May 2007. The information provided focuses primarily on activities Executive and staff has taken on voluntarily, as opposed to those mandated by the Legislature (i.e., tax credit hearings, TEFRA hearings, etc.). This list may not account for every activity undertaken by staff, as there may be a limited number of events not brought to my attention.

For brevity sake, the chart provides the name of the event, its location, the date of the event, division(s) participating in the event, and an explanation of what role staff played in the event. Should you wish to obtain additional details regarding these events, I will be happy to provide you with this information.

TDHCA Outreach Activities, May 2007

A compilation of activities designed to increase the awareness of TDHCA programs and services or increase the visibility of the Department among key stakeholder groups and the general public

| Event | Location | Date | Division | Purpose |
|--|-----------------|-------------|-------------------------------------|---------------------------|
| Mental Health Transformation Work Group | Austin | May 2 | Policy and Public Affairs | Participant |
| HOME Task Force Meeting | Austin | May 2 | HOME | Participant |
| First Thursday Income Eligibility Training | Austin | May 3 | Portfolio Management and Compliance | Training |
| TAR Continuing Education Course | Austin | May 3 | Homeownership | Training |
| “Money Follows the Person” Meeting | Austin | May 4 | Policy and Public Affairs | Participant |
| Texas Association of Mortgage Brokers Networking Event | Houston | May 7 | Homeownership | Exhibitor |
| TAR Continuing Education Course | Wichita Falls | May 8 | Homeownership | Training |
| High Ground of Texas Spring Conference | Amarillo | May 10 | Policy and Public Affairs | Presentation |
| “Money Follows the Person” Meeting | Austin | May 11 | Policy and Public Affairs | Participant |
| Manufactured Housing Division Board Meeting | Austin | May 11 | Policy and Public Affairs | Monitoring |
| TSAHC Board Meeting | Austin | May 11 | Policy and Public Affairs | Monitoring |
| Lender Training/Bond Program 69 | El Paso | May 14 | Homeownership | Training |
| Meeting with HUD District Office staff | Fort Worth | May 15 | HOME | Participant |
| Meeting with HHSC staff | Austin | May 15 | Policy and Public Affairs | Participant |
| Lender Training/Bond Program 69 | Houston | May 15 | Homeownership | Training |
| Lender Training/Bond Program 69 | Dallas | May 15 | Homeownership | Training |
| HUD CPD Directors Meeting | Fort Worth | May 16 | HOME | Participant |
| Lender Training/Bond Program 69 | Austin | May 16 | Homeownership | Training |
| “Money Follows the Person” Meeting | Austin | May 16 | Policy and Public Affairs | Participant |
| Texas Association of Community Action Agencies Annual Conference | Galveston | May 16-18 | HOME | Presentation |
| Lender Training/Bond Program 69 | McAllen | May 17 | Homeownership | Training |
| Meeting with HHSC staff | Austin | May 17 | Policy and Public Affairs | Participant |
| “Money Follows the Person” Meeting | Austin | May 22 | Policy and Public Affairs | Participant |
| Meeting with University of North Texas students | Austin | May 23 | HOME | Presentation, Participant |
| TAR Continuing Education Course | New Braunfels | May 23 | Homeownership | Training |

PORTFOLIO MANAGEMENT AND COMPLIANCE DIVISION

EXECUTIVE DIRECTOR'S REPORT ITEM

June 14, 2007

Background

The TDHCA Board requested a monthly status report to provide an updated status on HOME amendments previously approved by the Board.

Summary of HOME Amendment Process

HOME Administrators may request amendments to existing contracts; however, in order for a request to be considered, the Administrator must:

- submit justification, extenuating circumstances, or compelling reasons for the request; and
- submit a request that would still have resulted in an award of HOME funds if the original application had been submitted according to the requested changes; and
- be in compliance with monitoring and auditing requirements for all Department programs.

The 2006 HOME Rules in the Texas Administrative Code, Title 10, Part 1, Chapter 53, Rule §53.62(b)(3) states that modifications and/or amendments that increase the dollar amount by more than 25% of the original award or \$50,000, whichever is greater; or significantly decrease the benefits to be received by the Department, in the estimation of the Executive Director, will be presented to the Board for approval.

Summary of Previously Approved HOME Amendments

A Contract Status Report has been received from all Administrators reporting acceptable progress.

| Board Approval Date | Administrator | Contract Number | Activity Type | Amendment Type | Date Report Received | Progress Acceptable | Req # of Units | Units in Process | Units @100% (To Date) | Start Date | End Date | Project Budget Amt. | Project Committed Amount | Project Expended Amount | % Time Expired | % Committed | % Drawn Amt. | PMC Update |
|---------------------|------------------------------|-----------------|---------------|--|----------------------|---------------------|----------------|------------------|-----------------------|------------|----------|---------------------|--------------------------|-------------------------|----------------|-------------|--------------|---|
| 5/4/2006 | Affordable Caring Housing | 1000341 | TBRA | Match Elimination | 5/17/07 | Y | 35 | 43 | 25 | 10/1/04 | 9/30/07 | \$233,311 | \$194,481 | \$163,357 | 89% | 83% | 70% | A six (6) month extension was granted. All remaining houses are between 51%-98% complete. |
| 5/4/2006 | Affordable Caring Housing | 1000342 | TBRA | Match Elimination | 5/17/07 | Y | 20 | 14 | 20 | 10/1/04 | 3/31/07 | \$174,048 | \$133,382 | \$118,991 | 100% | 77% | 68% | A six (6) month extension was granted. All remaining houses in the construction process and budget revisions being worked on. |
| 6/9/2006 | City of Nash | 1000486 | OCC | AMFI Modification Match Reduction | 5/14/07 | Y | 8 | 8 | 0 | 10/3/05 | 9/28/07 | \$477,232 | \$440,000 | \$276,180 | 83% | 92% | 58% | Administrator has eight (8) units in process. |
| 6/26/2006 | Laredo-Webb NHS | 542040 | HBA | Extension | 5/14/07 | Y | 20 | 4 | 16 | 10/1/03 | 6/30/07 | \$300,000 | \$285,000 | \$240,000 | 98% | 95% | 80% | Construction of sixteen (16) units 100% complete. Three (3) units are at 81% and one (1) unit is at 68%. |
| 7/12/2006 | Midland Habitat for Humanity | 1000541 | HBA | AMFI Modification | 5/10/2007 | Y | 4 | 4 | 0 | 10/3/05 | 9/28/07 | \$40,000 | \$30,000 | \$0 | 83% | 75% | 0% | Construction on two (2) units was reported as 95% complete, one (1) unit at 80% and one (1) unit at 50% complete. |
| 8/30/2006 | City of Socorro | 542052 | HBA | Extension | 5/24/07 | Y | 41 | 13 | 35 | 10/1/03 | 3/31/07 | \$500,000 | \$490,000 | \$380,000 | 100% | 98% | 76% | Administrator has 60 days after end date to submit draw requests. Uncommitted funds will be deobligated. |
| 10/12/2006 | City of Cotulla | 1000020 | OCC | Extension | 5/5/07 | Y | 10 | 10 | 0 | 12/1/03 | 3/31/07 | \$500,000 | \$500,000 | \$368,319 | 100% | 100% | 74% | Administrator will be requesting an extension to complete one (1) house located in a flood zone. Administrator has 60 days after end date to submit draw requests. Uncommitted funds will be deobligated. |
| 10/12/2006 | City of Mesquite | 1000327 | OCC | Extension | 5/15/2007 | Y | 3 | 3 | 3 | 10/1/04 | 3/31/07 | \$198,000 | \$148,972 | \$148,972 | 100% | 75% | 75% | Administrator has 60 days after end date to submit draw requests. Uncommitted funds will be deobligated. |
| 10/12/2006 | La Salle County | 1000028 | OCC | Extension | 5/4/07 | Y | 10 | 10 | 9 | 12/1/03 | 3/31/07 | \$500,000 | \$500,000 | \$491,400 | 100% | 100% | 98% | Administrator has 60 days after end date to submit draw requests. Uncommitted funds will be deobligated. |
| 10/12/2006 | Val Verde County | 1000156 | OCC | Extension | 5/31/07 | Y | 6 | 3 | 3 | 9/1/03 | 3/31/07 | \$300,000 | \$300,000 | \$158,245 | 100% | 100% | 53% | Administrator went in front of Board in May and another extension was granted. |
| 11/9/2006 | Alpha Concepts | 1000301 | HBA | Extension | 5/10/2007 | Y | 29 | 0 | 0 | 10/1/04 | 4/30/08 | \$350,000 | \$0 | \$0 | 74% | 0% | 0% | In the process of identifying eligible households. |
| 11/9/2006 | City of Lewisville | 1000253 | OCC | Reduction in units (8 to 6) & Extension | 5/14/2007 | Y | 6 | 6 | 0 | 10/1/04 | 6/30/07 | \$321,884 | \$321,884 | \$0 | 97% | 100% | 0% | Construction on two (2) units reported as 100% complete, two (2) at 95%, one (1) at 50% and one (1) at 5%. |
| 11/9/2006 | City of Midland | 1000264 | HBA | Reduction in units (10 to 6) & Extension | 5/15/2007 | Y | 6 | 1 | 5 | 10/1/04 | 6/30/07 | \$41,500 | \$41,500 | \$34,000 | 97% | 100% | 82% | Administrator has reported that all units are 100% complete. |
| 11/9/2006 | City of Pearsall | 1000299 | OCC | Extension | 5/16/2007 | Y | 10 | 10 | 0 | 10/1/04 | 4/30/08 | \$500,000 | \$0 | \$0 | 74% | 0% | 0% | 10 Units pending inspections; of which five (5) are pending environmental clearance |
| 11/9/2006 | City of Presidio | 1000302 | OCC | Extension | 5/14/2007 | Y | 9 | 0 | 0 | 10/1/04 | 4/30/08 | \$448,848 | \$0 | \$0 | 74% | 0% | 0% | Units Pending survey completion |

| Board Approval Date | Administrator | Contract Number | Activity Type | Amendment Type | Date Report Received | Progress Acceptable | Req # of Units | Units in Process | Units @100% (To Date) | Start Date | End Date | Project Budget Amt. | Project Committed Amount | Project Expended Amount | % Time Expired | % Committed | % Drawn Amt. | PMC Update |
|---------------------|----------------------------|-----------------|---------------|--------------------------------|----------------------|---------------------|----------------|------------------|-----------------------|------------|----------|---------------------|--------------------------|-------------------------|----------------|-------------|--------------|--|
| 11/9/2006 | City of Texarkana | 1000305 | OCC | Increase in Budget & Extension | 5/2/2007 | Y | 2 | 1 | 1 | 10/1/04 | 5/31/07 | \$110,000 | \$110,000 | \$82,151 | 100% | 100% | 75% | Final activity has begin construction and wil be completed by contract end date. |
| 11/9/2006 | Frio County | 1000308 | OCC | Extension | 5/15/2007 | Y | 10 | 6 | 0 | 10/1/04 | 4/30/08 | \$500,000 | \$175,835 | \$0 | 74% | 35% | 0% | Construction on six (6) units was reported as four (4) at 10% complete and two (2) at 5% complete. |
| 11/9/2006 | Town of Anthony | 1000298 | OCC | Extension | 5/9/2007 | Y | 4 | 0 | 0 | 10/1/04 | 4/30/08 | \$180,333 | \$0 | \$0 | 74% | 0% | 0% | Administrator has reported that two (2) units are at environmental review and in the process of ascertaining a title search on one (1). |
| 11/9/2006 | Zapata County | 1000297 | OCC | Extension | 4/27/2007 | Y | 10 | 0 | 0 | 10/1/04 | 4/30/08 | \$500,000 | \$0 | \$0 | 74% | 0% | 0% | In the Process of Procuring New Consultant |
| 12/14/2006 | Accessible Community, Inc. | 1000360 | TBRA | Extension | 5/17/2007 | Y | 65 | 100 | 36 | 2/1/05 | 10/31/08 | \$709,642 | \$546,352 | 425,246 | 62% | 77% | 60% | Assistance has been provided by to thirty (36) units. All others were reported as being in progress. |
| 12/14/2006 | Angelina County | 1000607 | OCC-Rita | Extension | 5/14/2007 | Y | 5 | 5 | 0 | 4/17/06 | 10/31/07 | \$300,000 | \$0 | \$0 | 72% | 0% | 0% | Three (3) units at initial inspection with work write-up completed, In the process of ascertaining clear title on one (1) eligible units and determining eligibility on one (1). |
| 12/14/2006 | San Augustine County | 1000604 | OCC-Rita | Extension | 5/16/2007 | Y | 3 | 0 | 0 | 4/17/06 | 10/31/07 | \$166,667 | \$0 | \$0 | 72% | 0% | 0% | Beginning title search on one (1) unit, qualifying applicants on two (2). |
| 12/14/2006 | Trinity County | 1000605 | OCC-Rita | Extension | 5/9/2007 | Y | 3 | 0 | 0 | 4/17/06 | 10/31/07 | \$166,667 | \$0 | \$0 | 72% | 0% | 0% | Searching for qualified applicants. |

ORAL PRESENTATION

MULTIFAMILY FINANCE PRODUCTION DIVISION

EXECUTIVE DIRECTOR'S REPORT ITEM

June 14, 2007

Background

Report on Challenges Made in Accordance with §49.(17)(c) of the 2007 Qualified Allocation Plan and Rules (QAP) Concerning 2007 Housing Tax Credit (HTC) Applications.

Summary

The attached table titled, **Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007** (“Status Log”), summarizes status of the challenges received on or before June 6, 2007. The challenges were made against Applications in the 2007 Application Round. Behind the Status Log, all imaged challenges are provided in project number order. New challenges and determinations regarding challenges have been highlighted in yellow to indicate an update from the May 10, 2007 Board materials.

All challenges are addressed pursuant to §49.17(c) of the 2007 Qualified Allocation Plan and Rules (“QAP”), which states, “the Department will address information or challenges received from unrelated entities to a specific 2007 active Application, utilizing a preponderance of the evidence standard, in the following manner, provided the information or challenge includes a contact name, telephone number, fax number and e-mail address of the person providing the information or challenge:

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

Please note that a challenge is not eligible pursuant to this section if it is not made against a specific active 2007 HTC Application. If an Application is no longer active because the Development has been

awarded tax credits by the Texas Department of Housing and Community Affairs' (the "Department") Board, challenges relating to the awarded/inactive Application are not eligible under this section.

To the extent that the Applicant related to the challenge responds to the eligible challenge(s), point reductions and/or terminations could possibly be made administratively. In these cases, the Applicant will be given an opportunity to appeal pursuant to §49.17(b) of the 2007 QAP, as is the case with all point reductions and terminations. To the extent that the evidence does not confirm a challenge, a memo will be written to the file for that Application relating to the challenge. The table attached reflects a summary of all such challenges received and determinations made as of June 6, 2007.

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|-------------------------|---------|------------------|---------------------------------------|---|---|
| 4/10/07 | 07109 | Elrod Place | Kathi Zollinger and Katrina Thornhill | <p>Two challenges regarding inconsistencies between information presented to the community and information contained in the 2007 HTC Application, and regarding the Development's location in a particular Municipal Utility District ("MUD"). The basis of the challenges as reflected in the challenge documentation is: information presented to the community by a representative of the Applicant in three separate meetings was different than, or incomplete when compared to, the Application; the role of the Harris County Housing Authority was not disclosed to the public; the right of first refusal provision was not disclosed to the public; the Development site may have negative site features such as chlorine gas and close proximity to power lines; the area in which the Development will be located already has a high concentration of low income individuals; and the Applicant represented in the Application that the Development is located in a MUD that it is not actually located in.</p> | <p>Analysis: The meetings with the public referred to in the challenges were not required by the Department, nor were they attended by any representative of the Department; therefore, assertions made with regard to discrepancies between the information presented in the meetings and in the Application cannot be evaluated by the Department. In holding three meetings not required by the Department, however, it appears that the Applicant made a good faith effort to meet with and inform the public about the proposed Development. Regarding negative site features, an Environmental Site Assessment is required and has been performed for the Development site; in the event that this Application is chosen to receive a feasibility analysis, the report will be evaluated by the Department. The Department has a policy regarding concentration of low income individuals; the census tract in which the site is located is not an ineligible tract under the concentration policy. Finally, the land seller is in the process of annexing the site into a new MUD; this process is currently not under the control of the Applicant.</p> <p>Resolution: The Department has evaluated the challenges pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to these challenges.</p> |

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|-------------------------|---------|---------------------|----------------------------------|--|--|
| 5/2/07 | 07118 | Lakeside Apartments | Eric Hartzell, BETCO Development | Challenge regarding eligibility for points under §49.9(i)(26) of the 2007 QAP, Third-Party Funding Commitment Outside of Qualified Census Tracts. The challenge asserts that the funding source is not a Third Party, and that the Application is, therefore, not eligible for points. The basis of the challenge as reflected in the challenge documentation is: the provider of funds and the Applicant are Related Parties and/or Affiliates because the Applicant holds the broker license under which the provider of funds operates. | <p>Analysis: The provider of funds controls his own schedule, chooses his own sales terms, selects his own clients, and provides a percentage of his commissions to offset his operational costs, thus in essence buying his own supplies and space. This would seem to meet several of the tests for determining whether the Person in question is an employee or an independent contractor. The provider of funds, despite the broker/agent relationship, is not the Applicant, or an Affiliate thereof, a consultant, the Developer, or, because there does not appear to be any family relationship or ownership interest, a Related Party.</p> <p>Resolution: The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.</p> |

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|-------------------------|---------|------------------|----------------------------------|---|---|
| 4/26/07 | 07175 | Austin Place | Eric Hartzell, BETCO Development | Challenge regarding eligibility for points under §49.9(i)(17) of the 2007 QAP, Developments in Census Tracts with No Other Existing Developments Supported by Tax Credits. The challenge asserts that the Development is located in a census tract in which there are existing Developments supported by Tax Credits and that the Application is, therefore, not eligible for points. The basis of the challenge as reflected in the challenge documentation is: the Applicant represented that the Development is located in a different census tract than the census tract in which it is actually located. | <p>Analysis: The Applicant has confirmed the challenge assertions. The Application is not eligible for points under §49.9(i)(17).</p> <p>Resolution: The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP. The Application will not be awarded points under §49.9(i)(17) of the 2007 QAP.</p> |

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|------------------------------|---------|-------------------------|---|--|--|
| 3/5/07, 3/15/07, and 3/16/07 | 07177 | Hamilton Senior Village | Andy J. McMullen, Mark C. Henkes, Jesse T. Christopher, Lola Christopher, and Paula Patrick | Three challenges regarding fulfillment of signage requirements under §49.8(B) of the 2007 QAP. The challenges assert that the signage requirements have not been met. The basis of the challenges as reflected in the challenge documentation is: the signage is not posted within twenty feet of, and facing, the main road adjacent to the site, and is obstructed by trees. | <p>Analysis: The Development site is located at the intersection of two public streets; the majority of the site fronts Elm Street, with only a small portion, used for ingress and egress, fronting Williams Street. The current property owner requested that the sign not be located on the portion of the site that fronts Williams Street, in order to allow the current owner continued access to the property. The Applicant does not have permission, or authority under the contract, to clear trees from the property. The Applicant placed the sign in an opening between trees on Elm Street in order to meet the requirements of the 2007 QAP, while acting within its authority under the land contract.</p> <p>Resolution: The Department has evaluated the challenges pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to these challenges.</p> |

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|-------------------------|---------|---------------------------|------------|---|--|
| 4/16/07 | 07227 | Champion Homes at La Joya | Don Pace | Challenge regarding eligibility for points under §49.9(i)(2) of the 2007 QAP, Quantifiable Community Participation, §49.9(i)(5) of the 2007 QAP, Commitment of Development Funding by Local Political Subdivisions, §49.9(i)(8), Cost of the Development by Square Foot, §49.9(i)(12) of the 2007 QAP, Development Includes the Use of Existing Housing as Part of a Community Revitalization Plan, §49.9(i)(25) of the 2007 QAP, Leveraging of Private, State, and Federal Resources, and §49.9(i)(26) of the 2007 QAP, Third-Party Funding Commitment Outside of Qualified Census Tracts. | <p>Analysis: The items identified in the challenge were already identified by the Department in the scope of the review process and have already been resolved through the Administrative Deficiency process.</p> <p>Resolution: The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.</p> |
| 4/16/07 | 07228 | Las Palmas Homes | Don Pace | Challenge regarding the fulfillment of notification requirements under §49.9(h)(8)(A) of the 2007 QAP, and eligibility for points under §49.9(i)(2) of the 2007 QAP, Quantifiable Community Participation, §49.9(i)(5) of the 2007 QAP, Commitment of Development Funding by Local Political Subdivisions, §49.9(i)(12) of the 2007 QAP, Development Includes the Use of Existing Housing as Part of a Community Revitalization Plan, §49.9(i)(25) of the 2007 QAP, Leveraging of Private, State, and Federal Resources, and §49.9(i)(26) of the 2007 QAP, Third-Party Funding Commitment Outside of Qualified Census Tracts. | <p>Analysis: The items identified in the challenge were already identified by the Department in the scope of the review process and have already been resolved through the Administrative Deficiency process.</p> <p>Resolution: The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.</p> |

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|-------------------------|---------|-------------------------------|--|---|---|
| 5/25/07 | 07249 | Bluffs Landing Senior Village | Ebby Green, Round Rock Housing Authority | Challenge regarding eligibility for points under §49.9(i)(2) of the 2007 QAP, Quantifiable Community Participation (“QCP”). The challenge asserts that the QCP letter of support from RR Vista Neighborhood Association (the “Association”) is ineligible. The basis of the challenge as reflected in the challenge documentation is: the Association was formed for the sole purpose of supporting the Development; the Association was formed one day prior to the deadline to be on record with the state or county; none of the Association’s officers live within the boundaries of the Association; the Association’s bylaws grant the power of taxation; membership is open to those with an economic interest in the area; the Association’s boundaries are inconsistent with industry standards for development; and the Association is not recognized by the City as a neighborhood organization. | <p>Analysis: Posted to the Department’s website. Challenge being processed pursuant to §49.17(c) of the 2007 QAP.</p> <p>Resolution: Pending.</p> |

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|-------------------------|---------|------------------------------------|--|---|---|
| 6/1/07 | 07257 | Orange Palm Garden Apartment Homes | Robert Crow, Nacogdoches Housing Authority | Challenge regarding the eligibility for penalty points under §49.9(i)(27)(A) of the 2007 QAP, Scoring Criteria Imposing Penalties. The challenge asserts that a member of the Development team for the Applicant is affiliated with a 2006 Housing Tax Credit (HTC) Development for which an extension was requested, and that the Application should therefore be awarded penalty points. The basis of the challenge as reflected in the challenge documentation is: the Applicant for TDHCA # 060132 failed to meet a Department deadline; the Development team for 07257 for construction, management, and social services is the same as for 060132; and the Applicant contact for 07257 is an Affiliate of the Applicant for 060132. | <p>Analysis: Posted to the Department's website. Challenge being processed pursuant to §49.17(c) of the 2007 QAP.</p> <p>Resolution: Pending.</p> |

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|-------------------------|---------|------------------|--|--|--|
| 4/20/07 | 07282 | Palermo | Janine Sisak, DMA Development Company, LLC | Challenge regarding eligibility for points under §49.9(i)(2) of the 2007 QAP, Quantifiable Community Participation (“QCP”), and §49.9(i)(22) of the 2007 QAP, Qualified Census Tracts with Revitalization. The challenge asserts that the QCP letter of support from Comunidad in Action is ineligible, and that the Application is not eligible for points based on the Development Site’s location in an area targeted by a Community Revitalization Plan. The basis of the challenge as reflected in the challenge documentation is: Comunidad in Action is not a neighborhood organization, but rather a broader-based community organization, and; the Development Site is not located in the areas that target specific geographic areas for revitalization and development of residential developments under the Community Revitalization Plan. | <p>Analysis: The items identified in the challenge were already identified by the Department in the scope of the review process and have already been resolved through the Administrative Deficiency process.</p> <p>Resolution: The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.</p> |

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|-------------------------|---------|------------------|---------------------------------------|--|---|
| 5/4/07 | 07295 | The Bluestone | Paul Holden, Wilhoit Properties, Inc. | <p>Challenge regarding eligibility for points under §49.9(i)(16) of the 2007 QAP, Demonstration of Community Support other than Quantifiable Community Participation. The challenge asserts that the letters of support from The American Legion Cedar Creek Post 310 (“American Legion”), Friends of the Tri-County Library, and Mabank Fire Department are ineligible, and that the Application is not eligible for these points. The basis of the challenge as reflected in the challenge documentation is: the American Legion is not located within the city limits of Mabank, the letter from the Friends of the Tri-County Library was on the library’s letterhead, and the library conducts educational activities, and; the Mabank Fire Department is a part of the City of Mabank.</p> | <p>Analysis: Pursuant to §49.9(i)(16) of the 2007 QAP, the Development must receive letters of support from civic or community organizations that are active in and serve the community in which the Development is located. Letters from governmental entities, taxing entities or educational activities are not eligible for points. The American Legion Cedar Creek Post 310 provided sufficient evidence at the time of Application to show that the organization serves the community in which the Development is located. The QAP does not require that an organization be physically located within the city limits of the same municipality as the Development. The Friends of the Tri-County Library operates under separate bylaws and leadership from the Tri-County Library. The Friends of the Tri-County Library secures funding through fundraisers and membership dues, not through the Tri-County Library, and does not conduct educational activities. The letter from the Mabank Fire Department was not originally counted for points by the Department because adequate documentation was not provided pursuant to §49.9(i)(16) of the 2007 QAP.</p> <p>Resolution: The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP and has determined that no further action will be taken with regard to this challenge.</p> |

Status Log of 2007 Competitive Housing Tax Credit Challenges Received as of June 6, 2007

| Challenge Received Date | TDHCA # | Development Name | Challenger | Nature and Basis of Challenge | Status |
|-------------------------|---------|------------------|------------------|---|--|
| 5/23/07 | 07302 | Casa Alton | Alyssa Carpenter | Challenge regarding eligibility for points under §49.9(i)(11) of the 2007 QAP, Housing Needs Characteristics. The challenge asserts that the Application is eligible for fewer points than requested based on Development location. The basis of the challenge as reflected in the challenge documentation is: the Development is located in the City of Alton; the Application requested points based on the Development's location in Alton North; and the Affordable Housing Need Score for the City of Alton is lower than that of Alton North. | <p>Analysis: The proposed Development Site is currently located within the City of Alton. At the time of the 2000 Decennial Census the proposed Development Site was located within the Alton North CDP; however, the Development Site has since been annexed into the City of Alton, as confirmed by the City's Planning Director and the Applicant. The current location of a Development, not its location as of the most recent Decennial Census, is used to evaluate eligibility for points based on demographic information from the most recent Decennial Census.</p> <p>Resolution: The Department has evaluated the challenge pursuant to the methodology outlined in §49.17(c) of the 2007 QAP. The Application score will be reduced from six points to four points for §49.9(i)(11) of the 2007 QAP based on the proposed Development's location within the City of Alton.</p> |

**MULTIFAMILY FINANCE PRODUCTION DIVISION
BOARD REPORT ITEM**

June 14, 2007

Background

The inducement resolution for the Residences on Old Denton was approved at the March 20, 2007 TDHCA Board meeting. The TDHCA Board conditioned the approval on the applicant providing the Department with a report on what efforts/attempts the applicant has made to work with the neighborhood organizations and the elected officials and address their concerns regarding the proposed new construction development.

Summary of the Residences on Old Denton Outreach Efforts

Behind Tab 1 of this report is an outline of the efforts the applicant made with the community and elected officials at the time of pre-application. All of this information was included in the Board materials at the March 20, 2007 Board meeting.

Behind Tab 2 of this report is correspondence from the applicant dated May 8, 2007 which includes comments made by a neighborhood representative at the March 20, 2007 Board meeting and the applicant's response and supporting documentation to those comments.

Subsequent to the inducement, the applicant met with the Fort Worth Housing Department staff and Jerome Walker, the head of the department to discuss the property. They also had telephone conversations with the President of the Summerfields Neighborhood Association, Mr. Lance Griggs. Even though individuals in this neighborhood association have spoken out in opposition to this proposed development at the public hearing and other neighborhood meetings, Mr. Griggs stands by his letter of support.

There were approximately 100 people in attendance at the public hearing conducted by the Department for the proposed development on May 15, 2007. A copy of the transcript will be included in the Board presentation for the July 12 Board meeting. To date, the Department has received one letter of support from the Summerfields Neighborhood Association and 326 letters of opposition from the community, as well as a petition in opposition with 60 signatures. Letters of opposition have also been received from State Representative Vicki Truitt, City Councilmember Daniel Scarth and City Councilmember Salvador Espino (does not represent the proposed development's district), the Manor Hill Homeowners Association and the North Fort Worth Alliance.

TAB 1

NuRock Companies

580 Decker Drive ♦ Suite 208 ♦ Irving, Texas 75062
Phone 972-745-0756 ♦ Fax 678-218-1496

March 6, 2007

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

Re: Residences on Old Denton Road
Fort Worth, Texas
TDHCA #07622

Dear Ms. Morales:

We understand the Agency is receiving emails and other correspondence from some residents of North Fort Worth opposing the construction of the Residences on Old Denton Road. I would like to outline the significant effort NuRock has made to meet with the local neighborhood associations and the elected representatives to present the proposed Residences on Old Denton project, explain the tax credit program and discuss their concerns. NuRock representatives have had the following meetings:

December 6, 2006 – Jeff Baker, Planner and Bill Stone Assistant Superintendent of the Keller Independent School District. They indicated the affected schools currently have capacity for this project's students. We pointed out that we were building 224 units or over 80 units less than the property's current zoning allows. We described NuRock's Breakout program (the after school and summer learning program NuRock provides at every family oriented property) and how it works with the schools to aid resident's children. We discussed how the school district plans for growth. These gentlemen wanted to take a tour of other NuRock properties in the area.

December 18, 2006 – Tarrant County Commissioner Glen Whitley then County Judge elect. We presented the project and outlined the Breakout program. We also discussed the option of using the Tarrant County Housing Finance Corporation to issue the bonds.

December 19, 2006 – City of Fort Worth Councilman Sal Espino. The City's web page erroneously showed our site to be in Councilman Espino's district. After briefly presenting the project's features, Councilman Espino took no position on the project but encouraged us to meet with the neighborhood associations. He declined the invitation to tour NuRock properties as he has already visited the Residences of Diamond Hill in his district.

January 5, 2007 – Mr. Baker and Mr. Stone with the KISD toured NuRock's properties in Corinth (Tower Ridge) and Fort Worth (Residences at Diamond Hill) They viewed the properties and the Breakout facilities. NuRock made a commitment to work closely with the Keller ISD for the mutual benefit of our resident's children. We presented the fact that Breakout reduced our turnover which meant to them that the school district's need to bring new students "up to speed" was reduced. Both felt the ISD had capacity to take on the approximately 112 new students.

January 10, 2007 – City of Fort Worth Councilman Danny Scarth. We presented the project and outlined the Breakout program. He was neutral and asked us to communicate with the Summerfields Neighborhood Association.

January 11, 2007 – Tarrant County Commissioner Gary Fickes. We presented the project and outlined the Breakout program. He was generally in favor of workforce housing mentioning retail operators needing housing for employees.

January 16, 2007 – Senator Jane Nelson's field representative Ms. Haven Rowland. We presented the project and outlined the Breakout program. We asked for a future meeting with the Senator either in her Grapevine or Austin office.

January 18, 2007 – Tarrant County Commissioner Fickes toured the Residences at Diamond Hill. He seemed impressed and suggested we speak with the Summerfields HOA as well.

January 23, 2007 – Summerfields Neighborhood Association President Lance Griggs. We presented the project. NuRock agreed at this time to provide an 8 foot fence on the East property line and plant trees along this property line. We agreed to meet further with the association.

January 25, 2007 – Summerfields Neighborhood Association wrote a letter of support which is attached.

February 15, 2007 Representative Vicki Truitt. We presented the project and outlined the Breakout program to Dan Sutherland, her Legislative Director. Representative Truitt briefly visited with us and indicated concern about the infrastructure in the area. After we explained the property had full infrastructure available she indicated her primary concern was the availability of sidewalks from the property to the schools. She took a copy of our presentation and indicated she would drive the area and call Jeff Baker at the school district that weekend and get back with us. We informed Jeff Baker that the Representative would be calling.

February 18, 2007 – NuRock researched the existing sidewalks in the area, prepared a map showing that sidewalks were available from the site to all levels of schools and sent this information to the Representative's office. NuRock also researched if widening of Old Denton Road was in the City of Fort Worth's capital improvements programs in the future. Tom Leuschen, Capital Project's Manager with the City indicated it was not because the traffic counts didn't justify it. He referred us to the City's web page for those traffic counts. The counts on Old Denton are under 1,500 VPD each way. He indicated NuRock would be required to pay a Transportation Impact Fee as that program will be in place by the time we request building permits. Additionally, we might be required to improve the road in front of our property.

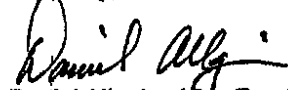
February 28, 2007 – Officer T.D. Towns – City of Fort Worth Police Department – NuRock met with Officer Towns to discuss the development and Breakout program. We discussed ways to incorporate Police Department programs with our Breakout programs at this and other NuRock properties in Fort Worth.

March 2, 2007 – Lara Lee Phillips-Hogg, the Executive Director of the North Fort Worth Alliance called NuRock's Irving office and asked for a meeting to discuss the development.

March 5, 2007 – NuRock has responded by e-mail to Ms. Phillips-Hogg offering to make a presentation to a meeting of her organization.

We will continue to address the neighbor's and elected official's questions and concerns in our project design, construction and operation.

Sincerely,



Daniel Allgeier, Vice President
NuRock Development
dallgeier@nurock.com

Enclosures



December 19, 2006

Robert H. Sherman
SBG Development Services
2329 Ember Woods Drive
Roanoke, TX 76262

RE: 8108 Old Denton Road
W.W. Thompson Survey

To whom it may concern:

The above referenced property is currently shown on the City of Fort Worth Zoning Map No. 60-444 as zoned "C" Medium Density Multi-Family Residential District. The proposed/current use for this property, Multi-Family Residential, is in compliance with this zoning district. The "C" Medium Density Multi-Family Residential District permits uses as described in Chapter 4, Article 7, Pages 4-89 and 4-90 of the City of Fort Worth Zoning Ordinance No. 16086. A copy of Chapter 4, Article 7, Pages 4-89 and 4-90 are attached and made part of this letter. A duplicated portion of Zoning Map No. 60-444, which encompasses the location of the above-referenced property, is also attached and made a part of this letter.

Should you need additional information, contact me at (817) 392-8043.

Sincerely,

John Garfield
Applications Supervisor

JAG/lag



DEVELOPMENT DEPARTMENT

THE CITY OF FORT WORTH * 1000 THROCKMORTON STREET * FORT WORTH, TEXAS 76102-6311
FAX 817-392-7526

4.711 Medium Density Multifamily ("C") District

A. Purpose and Intent

It is the purpose of the Medium Density Multifamily ("C") District to provide a specific zone for medium density multifamily development, the construction and maintenance thereof as required by this Ordinance, approved under given guidelines to assure compatibility with surrounding properties, and such uses accessory thereto.

B. Uses

In the Medium Density Multifamily ("C") District, no building or land shall be used and no building shall be hereafter erected, reconstructed, altered or enlarged, nor shall a Certificate of Occupancy be issued, except in accordance with the use tables in Chapter 4, Articles 6 and 8 and the supplemental use standards of Chapter 5.

C. Property Development Standards

1. All one-family and two-family residential development may be developed under the property development standards of a one- or two-family district or the standards of Section 6.506, Unified Residential Development.
2. All multifamily residential development (3 or more dwelling units) shall meet the property development standards of Section 6.506, Unified Residential Development and the minimum dimension of lots and yards shall be as shown in the accompanying table.

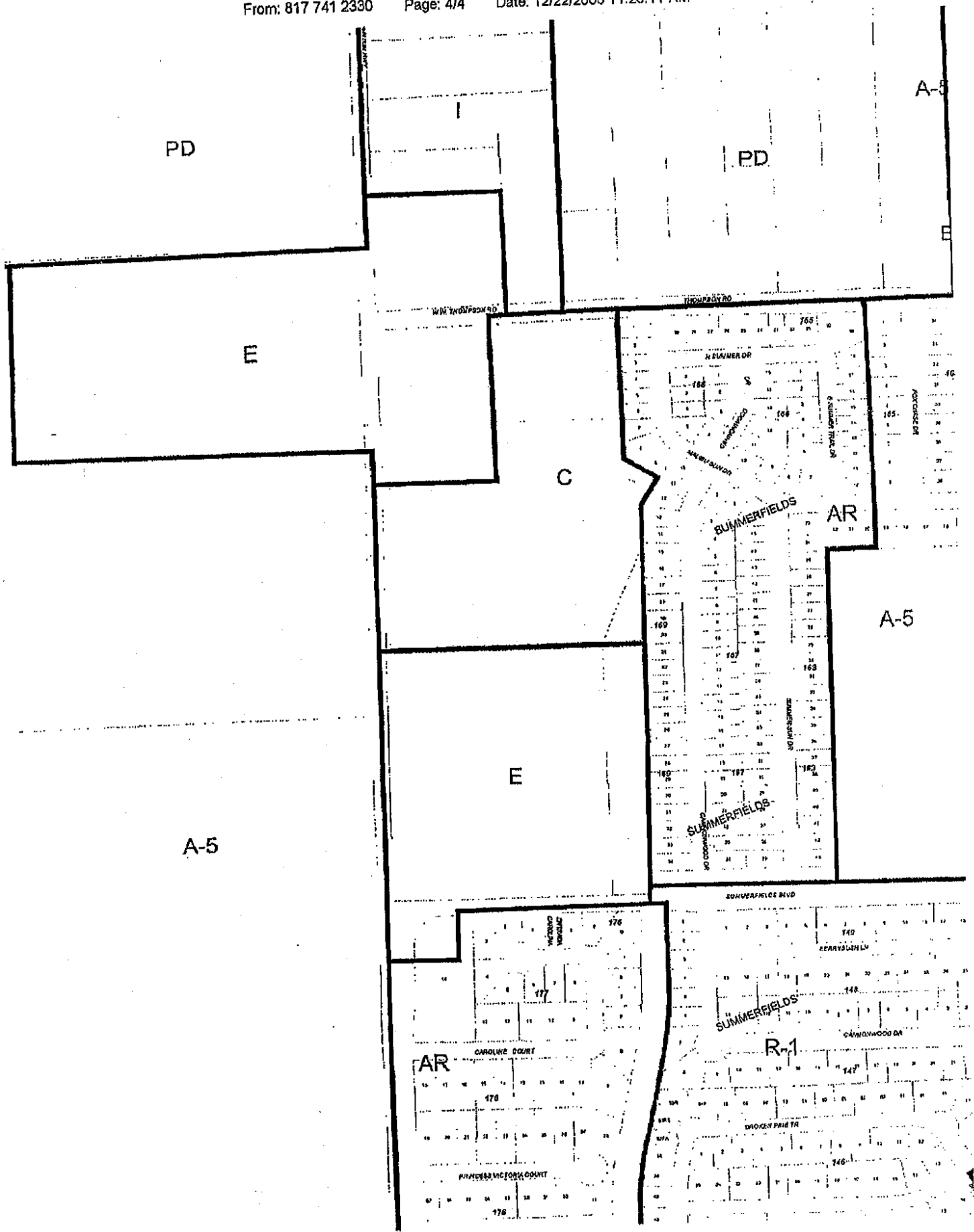
| "C" District, Unified Residential Development | |
|---|---|
| Open Space | 45 percent minimum (see Section 6.506) |
| Units per Acre | 18 maximum |
| Front Yard* | 20 feet minimum |
| Rear Yard | 5 feet minimum |
| Side Yard* | |
| Interior lot | 5 feet minimum |
| Corner lot ** | 20 feet minimum adjacent to side street |
| Residential Setback | 30 feet minimum, depending on height (see Section 6.506D) |
| Height | 32 feet maximum, slab to top plate (see Section 6.100) |
| Notes: | |
| *May be subject to projected front yard (Section 6.101F). | |
| ** May be subject to other front, side and rear yard setback requirements (see Section 6.101C). | |

COMMENTARY:

Carports – not allowed in front of building line or in required yards. (Sections 6.300B and 6.101A)

Fences - Up to 5 feet high in front yard and projected front yard for one-family and two-family residential dwellings per regulations in Section 5.305B.2; six-feet high in the front yard for multifamily developments subject to the Unified Residential requirements of Section 6.506 as constructed under Section 5.305B.3. (the design may include masonry columns to a maximum height of six feet, six inches); 2 feet high in public open space easement and 8 feet high behind front yard.

3. For all nonresidential uses in the Medium Density Multifamily ("C") District, the minimum dimension of lots and yards and the height of buildings shall be as shown in the accompanying table.





The Summerfields Neighborhood Association
6613 Longleaf Lane
Fort Worth, Texas 76137
(817)847-5322 Fax (817)232-0104

January 25, 2007

To: Robert H. Sherman
2329 Ember Woods Drive
Roanoke, TX 76262

Subject: Letter of Support for the NuRock Companies Development of the Residences at Old Denton Road

Mr. Sherman,

Thank you for meeting with me this week and providing additional details about the subject project. We truly appreciate the opportunity to work with developers during the planning phase of a project and thank you for the opportunity to do so. We now better understand your planned development and are thus able to provide a favorable endorsement.

I came away from our meeting with the following understandings:

- No zoning changes or variances will be required
- The proposed development meets all Fort Worth ordinances and standards
- The project will be built with less unit density than allowed by city codes and ordinances
- The developer is requesting no tax abatements
- Landscaping and design considerations will give a special emphasis aimed at maximizing the privacy of those single family homes bordering your development, particularly those directly to the east

I was also very favorably impressed with the planned after school and summer camp programs that will be provided at your facility. We also applaud your coordination with the Keller Independent School District to provide tutors for the children in these programs and to identify to your complex's management any child with discipline or behavioral problems. Our association believes that such after school and youth programs are a major need in our community.

Please keep us informed as the development process proceeds so that we can assist with any issues or concerns that may arise. Again, thank you for working with us.

Sincerely,

Lance R. Griggs, President

Dan Allgeier

From: Dan Allgeier
Sent: Friday, February 16, 2007 10:24 AM
To: 'dan.sutherland@house.state.tx.us'
Cc: 'RHSHERMAN@aol.com'
Subject: Residences on Old Denton, Thompson and Old Denton Roads, Fort Worth
Attachments: Friday, February 16, 2007 (2).pdf

Thank you for your time yesterday. At our meeting we provided you with information about our proposed Residences on Old Denton Road, a 224 unit multifamily site located on 17 acres at the southeast corner of Thompson Road and Old Denton Road. We provided information about this project and NuRock.

Nurock is seeking Representative Truitt's support for our application for private activity bonds and tax credits from the Texas Department of Housing and Community Affairs to finance the cost of construction of this community. Here is more information about this project:

Zoning

The site is currently zoned for multifamily housing with an allowed density of 18 units per acre or over 300 units. The proposed property has 80 units less than the zoning will allow.

NuRock

NuRock Development is an experienced, successful developer of multifamily housing with other properties in Fort Worth. NuRock provides our award winning Breakout© Program to residents. In cooperation with the local school district this after school and summer learning program provides residents with care and academic help for their children at no additional cost beyond their rent. More is available on our website nurock.com. We can arrange a tour of our Residences at Diamond Hill or Tower Ridge properties, both near the Old Denton Road site.

Community Outreach

We have met with the Summerfield Home Owner's Association; Tarrant County Judge Whitley and Commissioner Fickes; Sal Espino and Danny Scarth, City Councilmen; Jeff Baker and Bill Stone with the Keller ISD; and a member of Senator Nelson's staff to present this project and ask for their support. We have received a positive response from each of these officials. We have written support from the Homeowner's Association, and are requesting written support from the State officials for the Texas Bond Review Board.

Infrastructure

At our meeting, the Representative expressed concern about the infrastructure in the area. There are water, sewer, storm drainage and other utilities available at our site with sufficient capacity to serve our development. There is a new fire station and a police substation less than 3 miles away. There is a T bus stop at the corner of Buttonwood and Summerfield less than half a mile from the site. There are shopping, banks, outdoor and indoor recreation facilities and a library within three miles as well. All levels of schools (elementary, intermediate, middle and high schools in Keller ISD) are within

3/7/2007

reasonable walking distance.

Roads

The roads and sidewalks seemed to be the issue with which the Representative was most concerned. Riverside Drive becomes Old Denton Road at Summerfields. It is improved from Summerfields south being four-lane with a median a quarter mile south of the intersection with Summerfields. Additionally, it has been improved at the intersection with Heritage Trace Parkway to the north. Although Old Denton Road is not on any current schedule for widening by the City, they intend to take a portion of our property for additional right of way and we are planning our project with that in mind. We will be required to escrow a yet to be determined amount for the cost of this widening and will have to pay a yet to be implemented traffic impact fee.

The traffic counts on Old Denton and Thompson aren't that high according to the City's most recent traffic information. Old Denton at Heritage Trace Parkway carries 1,312 vehicles per day (vpd) north bound and 7400 N Riverside has a count of 3,020 vpd north bound. These are the closest locations on Old Denton with traffic counts. We will have exits on both Old Denton and Thompson Roads, so our residents will have a couple of routes to choose from. Thompson Road has traffic counts of over 3,000 vpd around Fossil Ridge High School, but otherwise carries only about 1,000 vpd. All of these are low traffic counts. As a basis of comparison, Basswood at I-35 carries over 8,000 vpd one way.

SIDEWALKS

We looked at the sidewalks in the area particularly as they relate to travel to and from the schools. From our property to the east there will be continuous sidewalks to Heritage Elementary. The campus of Fossil Ridge High School is only partly accessible by sidewalks but students probably will cut across the playing fields to get to the school anyway. To the South, when we complete sidewalks on our property and across the property to the south, which we will do, there will be continuous sidewalk to Chisholm Intermediate School. Fossil Hill Middle School is in the middle of a neighborhood without sidewalks, but all these streets are residential in nature. We will have better walking access to schools than most of the single family homes in the neighborhood.

We have attached a map showing the existing sidewalk locations.

After Representative Truitt has had the opportunity to look at the site we hope she can support this needed development. Please contact me with any additional questions.

*Dan Allgeier
Vice President
NuRock Development
580 Decker Drive
Suite 208
Irving, TX 75062
(972) 745-0756
direct fax (678) 218-1496
mobile (214) 277-4839*

3/7/2007

Dan Allgeier

From: RHSHERMAN@aol.com
Sent: Friday, February 16, 2007 3:29 PM
To: jrbaker@kellerisd.net
Cc: Dan Allgeier
Subject: Map of sidewalks
Attachments: sidewalks.pdf

Jeff:

This map shows all schools can be reached by sidewalk. Our kids will never need to use a street that does not have a sidewalk.

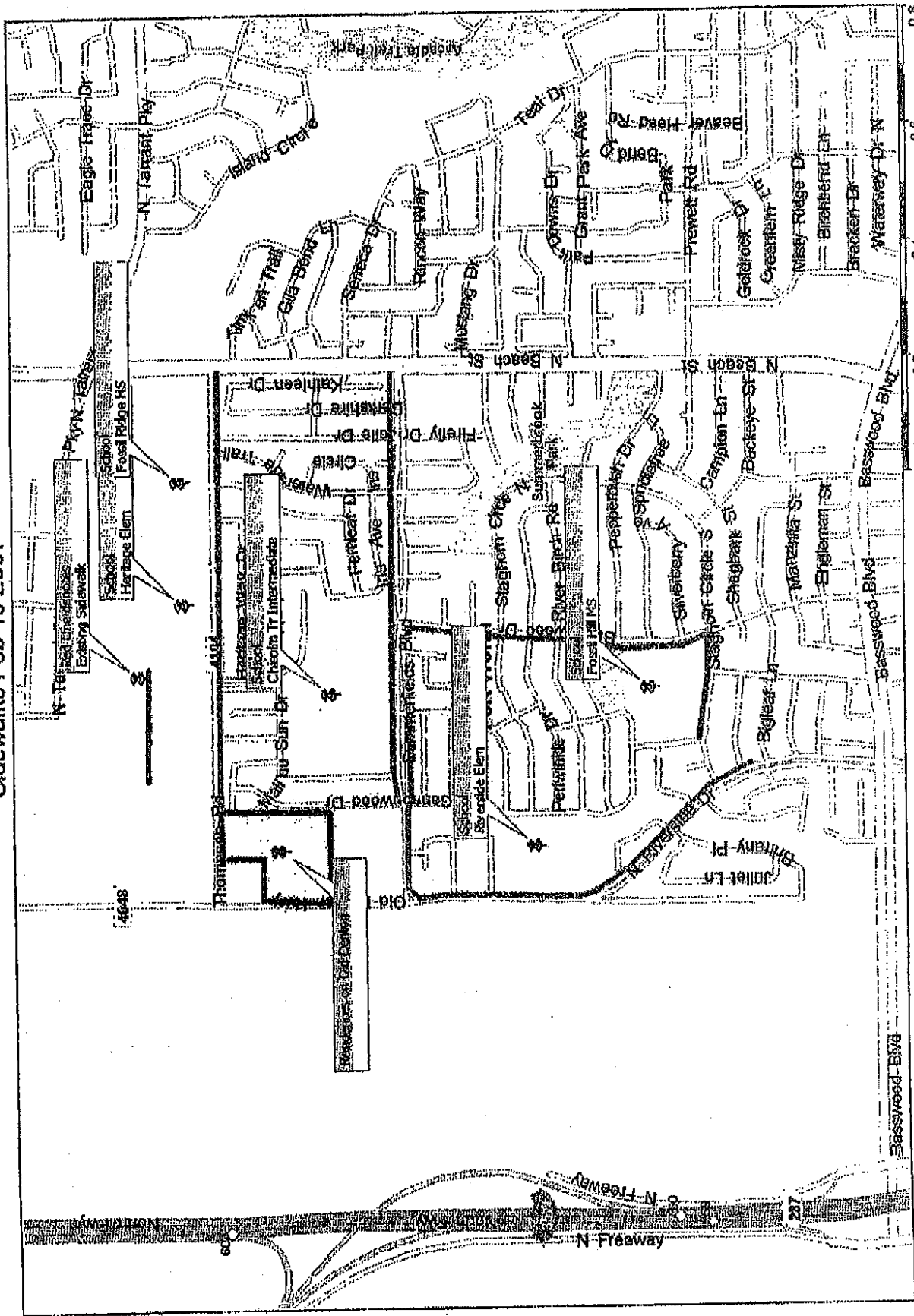
We will build sidewalks at our entrances that connect to the existing ones.

Regards,

Robert H. (Bob) Sherman
SBG Development Services, L. P.
2329 Ember Woods Dr.
Roanoke, TX 76262
Phone 817-741-2329
Fax 817-741-2329
Mob 214-533-0937

3/7/2007

Sidewalks Feb 16 2007



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Subj: Re: Bob:
Date: 1/16/2007
To: jrbaker@kellerisd.net
CC: dallgeier@nurock.com

In a message dated 1/8/2007 9:49:10 P.M. Central Standard Time, jrbaker@kellerisd.net writes:

Bob:

Good evening. I hope you are doing well. I wanted to touch base with you regarding Nu Rock's proposed development in our district. Generally, I am required to develop a weekly update for our school board regarding any new development activity. This is just a synopsis of any upcoming new developments. I wanted to give you the opportunity to write or to provide a detailed summary of the potential development for the Thompson Road and Old Denton Road site. I think this would be a good opportunity for you to provide information that you would like for me to include in my weekly update to our school board regarding this project. I would need any information you would like to provide by Wednesday, January 17th.

Finally, I just want to say thank you for allowing us to view two of your properties. I definitely appreciate the tour. I hope you have a good day tomorrow and I look forward to hearing from you soon. Take care.

Sincerely,

Jeff

Jeff Baker
Keller Independent School District
350 Keller Parkway
Keller, Texas 76248
Director of Planning and Development
817-744-1207 (Work)
817-233-4960 (Cell)

Jeff:

Please call me today and I will give you the information to use. Basically it is as follows.

- 1 Use the unit mix and rents on the sheet entitled Volume 1 Tab 2 Populations served.
- 2 Use the Breakout information for the after school and summer kids programs.

- 3 Use the map for location.
- 4 Mention that there will be a Public Hearing probably at one of your schools in the next few months.
- 5 Also we will address your board separately if asked to do so.

We can't release the family / children count to you. We don't have the residents permission. It's also a liability issue identifying the ages of kids etc.

Regards,

Robert H. (Bob) Sherman
SBG Development Services, L. P.
2329 Ember Woods Dr.
Roanoke, TX 76262
Ph 817-741-2329
Fax 817-741-2330
Mob 214-533-0937

Subj: **Re: Meeting with the North Fort Worth Alliance Land Use Committee**
Date: 3/5/2007 8:58:07 A.M. Central Standard Time
From: **RHSHERMAN**
To: laralee33@yahoo.com

Lara:

Please call me at your earliest convenience to set up a meeting.

Regards,

Robert H. (Bob) Sherman

SBG Development Services, L. P.
2329 Ember Woods Dr.
Roanoke, TX 76262
Phone 817-741-2329
Fax 817-741-2329
Mob 214-533-0937

In a message dated 3/2/2007 5:40:10 P.M. Central Standard Time, laralee33@yahoo.com writes:

Sounds good.
Lara Lee

RHSHERMAN@aol.com wrote:

Lara:

I think that date is too early. NuRock likes to be thorough and make a good presentation and our planning is not quite finished. I will ask them on Monday and get back to you.

Regards,

Robert H. (Bob) Sherman

SBG Development Services, L. P.
2329 Ember Woods Dr.
Roanoke, TX 76262
Phone 817-741-2329
Fax 817-741-2329
Mob 214-533-0937

In a message dated 3/2/2007 11:36:59 AM Central Standard Time,

laralee33@yahoo.com writes:

Hi Robert,
Thanks for speaking with me on the phone this morning. We would like to take you up on your offer to meet concerning the project on Old Denton. Would you be available on the evening of the 6th or 7th?

Thanks,
Lara Lee
Executive Director - North Fort Worth Alliance

We won't tell. Get more on shows you hate to love
(and love to hate): Yahoo! TV's Guilty Pleasures list.

AOL now offers free email to everyone. Find out more about what's free from AOL at AOL.com.

Get your own web address.
Have a HUGE year through Yahoo! Small Business.

AOL now offers free email to everyone. Find out more about what's free from AOL at AOL.com.

TAB 2

173

Teresa Morales

From: Dan Allgeier [dallgeier@nurock.com]
Sent: Tuesday, May 08, 2007 4:24 PM
To: Mark Brast; lisa@blackhome.us; jennifer mccann; laralee33@yahoo.com
Cc: RSHERMAN@aol.com; colleen demel; Teresa Morales; robert_rouse@trendmicro.com; rhoskins@nurock.com
Subject: RE: Residences on Old Denton Road

I would like to further address neighbor's objections to the construction of the Residences on Old Denton, a 224 unit multifamily project located on the southeast corner of Old Denton and Thompson Roads. At the March 20, 2007 Texas Department of Housing and Community Affairs board meeting, Jennifer Pinault presented the neighbor's arguments to the TDHCA board. At this meeting, she said:

"We oppose the project for the following reasons; we have overcrowded schools, insufficient infrastructure, minimal public transportation, inadequate staffing of police and the location is not consistent with the City's comprehensive plan of development."

Overcrowded schools –

Ms. Pinault quoted a Danter Company study that indicated this community would add 178 students to the public schools. The planner for the Keller Independent School District estimated 112 students. We are not qualified to project enrollment figures but do know that the district is responding to their growth in a responsible fashion.

The planned community contains 224 units. The site is zoned for up to 306 units, so we are building over 80 units less than could be built under the existing zoning.

The first units will not be available for rent until the 2009 school year. This allows the school district some time to adjust boundaries and complete already planned schools to accommodate growth.

According to a Household Formation Analysis and Forecast by Residential Strategies prepared for Hillwood Properties dated February 9, 2007, within a 12 – minute drive of I-35W and Heritage Trace Parkway, a point slightly over one mile from this apartment community site, there are:

- 6,014 existing vacant single family lots
- 4,391 future lots with approved final plats
- 9,823 future lots with approved preliminary plats

Most of these lots are in the Keller ISD. It doesn't seem that 224 units of apartments are significant in the overall growth of the school district.

Insufficient infrastructure –

This objection is limited to the roads and sidewalks as the balance of the infrastructure has adequate capacity for this development. Attached is a 2005 aerial photograph of the site and the surrounding area. As can be seen, the area to the south and east is essentially built out including completed roadways. Hillwood is now developing the Alliance Town Center between Heritage Trace and North Tarrant Parkways. There are or will be new streets for this development. There are several transportation projects planned for the area as can be seen on the attached Proposed Capital

Improvements -- Transportation from the 2007 Fort Worth Consolidated Plan.

The developer will be required to improve Old Denton (Riverside) Road where it fronts the property or escrow funds for its future development. The 2007 Comprehensive Plan shows a proposed street improvement project TPW-100026 – North Riverside Drive (Old Denton) from Summerfields Blvd. to Heritage Parkway to be funded in a period from 2012 to 2016. We intend to ask the City to allow us to improve Old Denton from our entrance to Summerside during the construction of the Residences on Old Denton. This would provide an improved Old Denton/Riverside from our property south at least four years earlier than the City's plans.

Concern has been expressed about the ability of children to walk to school. There are existing sidewalks from the site to all levels of schools after construction of the required sidewalks for this development is completed.

Inadequate staffing of police –

There is a police substation within 2 miles of the site. The Fort Worth Police Department will not give response times indicating that there are too many factors involved for this to be a meaningful measure. We can only locate a community within reasonable distance from a police station. We have no control over staffing or other factors. Our experience is that our communities do not generate any more police calls than the surrounding neighborhood. In fact, in some locations, we have improved the area as can be seen by the attached letters.

Inconsistency with the City of Fort Worth's 2007 Consolidated Plan –

Chapter 4: Land Use of the 2007 Fort Worth Consolidated Plan in part considers future land use for the City and Extra-territorial Jurisdiction. The plan admits that in order to accomplish this long term goal, **29% of the existing zoning in the City will have to be changed** and that zoning can only generally conform to the proposed future land uses.

The site for the Residences on Old Denton is currently zoned "C" medium density multifamily residential, allowing up to 18 units per acre on the 17 acre site. Although the Future Land Use exhibits in Appendix C of the plan are broad brush in nature, it appears that the 33 acre site of which the location for the Residences on Old Denton is hoped to be neighborhood commercial in use. That is inconsistent with the existing zoning.

The proposed development meets many of the Policies and Strategies outlined in the Land Use for multifamily projects. It:

- Is adjacent to developed areas
- Provides for and maintains interconnectivity of streets
- Is located next to a collector or arterial street
- Links growth with major thoroughfares and public transportation
- Promotes locating multifamily units within walking distance of public transportation, employment, recreation and shopping
- Is not in a high noise level area but is close to employment at Alliance Airport

Ms. Pinault commented to the TDHCA board "The City is also attempting to work with owners of multifamily-zoned lots to rezone the parcels to lower density" That is what we are doing with the Residences on Old Denton voluntarily by only building 224 units in lieu of the 306 allowed by zoning.

In Chapter 5: Housing, the Comprehensive Plan calls for more affordable housing and indicates there

is a serious mismatch between affordable housing and low-income households. Interestingly, as an example of good affordable housing, the plan provides a photograph of NuRock's Residences on Diamond Hill on page 45. Increasing the number of quality affordable rental units remains a goal of the 2007 Comprehensive Plan.

Finally, in her testimony to the TDHCA board, Ms. Pinault stated:

"Within a mile of the proposed project, there is also being built a market-driven multifamily infrastructure. They are planning a thousand-unit complex in the next five to eight years. Because the builder is market driven, he will only be building 280 units, thus allowing the students to be absorbed into the already crowded schoolhouses... We feel that the Residences of Old Denton Highway is opportunity driven, because if not built now, in a year or so, with the Hillwood development, there would be no additional need."

The nearby property in question is under construction. It contains 288 units and is located on the southeast corner of I-35 and North Tarrant Parkway, about 1/2 mile from the Residences on Old Denton. It is going to be a higher priced property asking rents of an average of \$1.15 per square foot – or an average rent of \$1,100. The average unit size is 950 square feet with 122 one bedroom, 156 two bedroom and 10 three bedroom units. This project will be open in May of 2008 and completely available at the end of 2008. It is very normal to build properties in phases of about 300 units so the market can absorb the units. The rents for an equivalent sized unit here will be over \$250 higher than the proposed rents for the Residences on Old Denton so these properties will not be serving the same segment of the market.

There apparently is a misconception that the Residences on Old Denton does not have a market need at this time. On the contrary, our market study shows an immediate need for this housing in the area. Affordable housing is affected by the same market demands and conditions as conventionally financed multifamily rental properties. We would not be willing to invest over \$20,000,000 in this project unless we were convinced there was a need for the housing.

We remain open to meet and discuss this project. There is a public hearing scheduled for Tuesday May 15th, at 6:00 pm at the Fossil Ridge High School Auditorium. The TDHCA will be taking further comments at that time. We are also willing to meet again with neighborhood representatives to discuss this development.



NCTCOG Maps
www.dfwmaps.com

DISCLAIMER

This data has been compiled for NCTCOG. Various official and unofficial sources were used to gather this information. Every effort was made to ensure the accuracy of this data, however, no guarantee is given or implied as to the accuracy of said data.



APPENDIX E: PROPOSED CAPITAL IMPROVEMENTS - UNFUNDED

The capital improvement project tables on the following pages provide a list of proposed capital improvement projects identified by the City's various departments and cooperating agencies. The tables are listed by category headings that match the chapter headings of the Comprehensive Plan, and they indicate projects by City Planning Sector (see Appendix C). Appendix E includes unfunded projects. Funded projects are listed in Appendix D: Proposed Capital Improvements - Funded and Partially Funded.

Inclusion of a project *does not* necessarily reflect the City of Fort Worth's commitment to the project. The capital improvement project tables are intended to serve as a general guide for the allocation of financial resources. They do not imply any obligation to expend funds for the proposed projects. While all of the proposed projects may be beneficial, the City and other responsible agencies must prioritize the projects for funding, given limited resources. Further information on project status can be obtained by contacting the responsible department or agency.

PROPOSED CAPITAL IMPROVEMENTS — UNFUNDED: TRANSPORTATION

| Project # | Project Name | Planning Sector | Council District | Estimated Cost (\$1,000) | Proposed Expenditures by Fiscal Year Ending Sept. 30 (\$1,000) | | | | Responsible Dept/Agency | Funding Source |
|------------|---|-------------------------|------------------|--------------------------|--|----------|----------|--|-----------------------------|---|
| PLN-100366 | University Drive median (UPRR to Trinity River) | Southside | 9 - Davis | \$697 | | | \$697 | | Transportation/Public Works | TBD |
| PLN-100367 | Garden Acres (SH-35 to Oak Grove Road) | Far South | 8 - Hicks | \$3,700 | | | \$3,700 | | Transportation/Public Works | TBD |
| PLN-100700 | Keller Hicks (Ridgeview to Park Vista) | Far North | 2 - Espino | \$11,500 | | \$11,500 | | | Transportation/Public Works | Certificates of Obligation, Keller ISD Bond |
| PLN-100701 | Dirks/Altamasa (Granbury to Bryant Irvin) | Far Southwest, Wedgwood | 3 - Silcox | \$15,200 | | \$15,200 | | | Transportation/Public Works | Certificates of Obligation, Federal Funds |
| PLN-100716 | Ray White Road/Park Vista Blvd. (North Tarrant to Emeryville) | Far North | 2 - Espino | \$4,800 | | | \$4,800 | | Transportation/Public Works | General Obligation Bond |
| PLN-100717 | N. Beach Street (Timberland to SH 170) | Far North | 2 - Espino | \$8,000 | | | \$8,000 | | Transportation/Public Works | General Obligation Bond |
| PLN-100718 | N. Beach Street (N. Tarrant to Heritage Trace) | Far North | 2 - Espino | \$15,200 | | | \$15,200 | | Transportation/Public Works | General Obligation Bond |
| PLN-100719 | Shiver Road (Park Vista to 2,800 feet west) | Far North | 2 - Espino | \$4,500 | | | \$4,500 | | Transportation/Public Works | General Obligation Bond |
| PLN-100720 | Ray White Road (Wall Price Keller to Wyndrock) | Far North | 2 - Espino | \$4,000 | | | \$4,000 | | Transportation/Public Works | General Obligation Bond |
| PLN-100721 | Ray White Road/Park Vista Blvd. (Kroger to Wall Price) | Far North | 2 - Espino | \$2,900 | | | \$2,900 | | Transportation/Public Works | General Obligation Bond |
| PLN-100722 | Harmon Road (US 287 to N. Tarrant) | Far North | 2 - Espino | \$1,500 | | | \$1,500 | | Transportation/Public Works | General Obligation Bond |
| PLN-100723 | N. Tarrant Parkway (US 287 to Harmon) | Far North | 2 - Espino | \$2,700 | | | \$2,700 | | Transportation/Public Works | General Obligation Bond |
| PLN-100724 | Timberland Blvd. (N. Beach Street to US 377) | Far North | 2 - Espino | \$11,700 | | | \$11,700 | | Transportation/Public Works | General Obligation Bond |
| PLN-100725 | Thompson Road (Fox Chase to Riverside Drive) | Far North | 2 - Espino | \$1,400 | | | \$1,400 | | Transportation/Public Works | General Obligation Bond |

(TBD) To Be Determined.

This table of proposed capital improvements is intended to serve as a general guide for the allocation of financial resources. It does not imply any obligation to expend funds for the proposed projects.

PROPOSED CAPITAL IMPROVEMENTS — UNFUNDED: TRANSPORTATION

| Project# | Project Name | Planning Sector | Council District | Estimated Cost (\$1,000) | Proposed Expenditures by Fiscal Year Ending Sept. 30 (\$1,000) | | | Responsible Dept/Agency | Funding Source |
|------------|---|-----------------|------------------|--------------------------|--|------|----------|-----------------------------|-------------------------|
| | | | | | 2023 | 2024 | 2025 | | |
| PLN-100726 | Keller Eicks (Timberland to US 377, except for Ridgeview to Park Vista) | Far North | 2 - Espino | \$13,900 | | | \$13,900 | Transportation/Public Works | General Obligation Bond |
| PLN-100727 | Centrell Sansom Rd. (Blue Mound City Limit to Mark IV Fwy) | Far North | 2 - Espino | \$5,000 | | | \$5,000 | Transportation/Public Works | General Obligation Bond |
| PLN-100728 | Centrell Sansom/Old Denton Road | Far North | 2 - Espino | \$3,900 | | | \$3,900 | Transportation/Public Works | General Obligation Bond |
| PLN-100729 | Centrell Sansom Rd. (Old Denton Rd. to IH 35) | Far North | 2 - Espino | \$1,600 | | | \$1,600 | Transportation/Public Works | General Obligation Bond |
| PLN-100730 | Mark IV Parkway (IH 820 to Centrell Sansom) | Far North | 2 - Espino | \$2,400 | | | \$2,400 | Transportation/Public Works | General Obligation Bond |
| PLN-100731 | Park Vista Blvd. (Ray White to Keller Eicks) | Far North | 2 - Espino | \$8,900 | | | \$8,900 | Transportation/Public Works | General Obligation Bond |
| PLN-100732 | Park Vista (Caylor to Timberland) | Far North | 2 - Espino | \$5,600 | | | \$5,600 | Transportation/Public Works | General Obligation Bond |
| PLN-100733 | N. Riverside Dr. (Villages of Woodland Springs to SH 170) | Far North | 2 - Espino | \$4,000 | | | \$4,000 | Transportation/Public Works | General Obligation Bond |
| PLN-100734 | N. Riverside Dr. (Heritage Trace to Timberland) | Far North | 2 - Espino | \$17,000 | | | \$17,000 | Transportation/Public Works | General Obligation Bond |
| PLN-100735 | Blosswood Blvd. (FM 156 to IH 35) | Far North | 2 - Espino | \$16,500 | | | \$16,500 | Transportation/Public Works | General Obligation Bond |
| PLN-100736 | Menchen Blvd. (IH 35 NB to N. Beach St.) | Far North | 2 - Espino | \$3,200 | | | \$3,200 | Transportation/Public Works | General Obligation Bond |
| PLN-100737 | Fossil Creek Blvd. Bridge over IH 35 | Far North | 2 - Espino | \$6,100 | | | \$6,100 | Transportation/Public Works | General Obligation Bond |
| PLN-100738 | Chapel Creek Bridge (IH-50 to Camp Bowie) | Far West | 3 - Silcox | \$3,100 | | | \$3,100 | Transportation/Public Works | General Obligation Bond |
| PLN-100739 | Chapel Creek Blvd. (Chapin to Old Weatherford) | Far West | 3 - Silcox | \$1,400 | | | \$1,400 | Transportation/Public Works | General Obligation Bond |
| PLN-100740 | Riverside Dr. Bridge over Fossil Creek | Far North | 4 - Scarth | \$5,000 | | | \$5,000 | Transportation/Public Works | General Obligation Bond |
| PLN-100741 | Precinct Line Rd. (Trinity to Randal Mill) | Eastside | 4 - Scarth | \$14,100 | | | \$14,100 | Transportation/Public Works | General Obligation Bond |

(TBD) To Be Determined.

This table of proposed capital improvements is intended to serve as a general guide for the allocation of financial resources. It does not imply any obligation to expend funds for the proposed projects.

PROPOSED CAPITAL IMPROVEMENTS — UNFUNDED: TRANSPORTATION

| Project # | Project Name | Planning Sector | Council District | Estimated Cost (\$1,000) | Proposed Expenditures by Fiscal Year Ending Sept. 30 (\$1,000) | | | Responsible Dept/Agency | Funding Source |
|------------|---|-------------------|---------------------------|--------------------------|--|--|----------|-----------------------------|---|
| | | | | | | | | | |
| FLN-106776 | Penn Street Extension (Fruit to Cooper) | Arlington Heights | 9 - Davis | \$1,500 | | | \$1,500 | Transportation/Public Works | General Obligation Bond |
| TPW-100000 | Evenman Parkway (E. terminus to IH-35W) | Sycamore | 6 - Jordan | \$16,000 | | | \$16,000 | Transportation/Public Works | Developer Funds, General Obligation Bond, NCTCOG |
| TPW-100001 | Risinger Road (McCart Avenue to Crowley Road) | Far South | 6 - Jordan | \$5,000 | | | \$5,000 | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100002 | McPherson Avenue (W. terminus to Crowley Road) | Far South | 6 - Jordan, 8 - Hicks | \$6,500 | | | \$6,500 | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100005 | Cromwell-Marins Creek Road (Boat Club Road to Old Decatur Road) | Far Northwest | 7 - Burdette | \$19,000 | | | \$19,000 | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100006 | Randel Mill Road (IH-820 to proposed Province Line Rd) | Eastside | 4 - Search | \$15,000 | | | \$15,000 | Transportation/Public Works | Developer Funds, General Obligation Bond, NCTCOG, State Funds |
| TPW-100007 | Thompson Road (W. terminus to North Riverside Drive) | Far North | 2 - Espino, 4 - Search | \$1,400 | | | \$1,400 | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100008 | Golden Triangle (Hammon Road to IH-35W) | Far North | 2 - Espino | \$2,000 | | | \$2,000 | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100009 | Boat Club Road (Park to south property line of Chapel Hill) | Far Northwest | 7 - Burdette | \$6,000 | | | \$6,000 | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100013 | Trinity Boulevard (IH-820 to Greenbelt) | Eastside | 4 - Search, 5 - Wheatfall | \$43,300 | | | \$43,300 | Transportation/Public Works | General Obligation Bond, TxDOT |
| TPW-100014 | Evenman Parkway (IH-35W to Forest Hill) | Sycamore | 8 - Hicks | \$11,000 | | | \$11,000 | Transportation/Public Works | Developer Funds, General Obligation Bond, NCTCOG, State Funds |
| TPW-100015 | Downtown Access and Circulation Study Implementation | Downtown | 9 - Davis | \$660 | | | \$660 | Transportation/Public Works | General Obligation Bond |

(TBD) To Be Determined.

This table of proposed capital improvements is intended to serve as a general guide for the allocation of financial resources. It does not imply any obligation to expend funds for the proposed projects.

PROPOSED CAPITAL IMPROVEMENTS — UNFUNDED: TRANSPORTATION

| Project # | Project Name | Planning Sector | Council District | Estimated Cost (\$1,000) | Exposed Expenditures by Fiscal Year Ending Sept. 30 (\$1,000) | | | | Responsible Dept/Agency | Funding Source |
|------------|--|----------------------|-----------------------|--------------------------|---|------|----------|------|-----------------------------|---|
| | | | | | 2011 | 2012 | 2013 | 2014 | | |
| TPW-100016 | Oak Grove Road (Alta Mesa Boulevard to Evenman Parkway) | Sycamore | 8 - Hicks | \$14,700 | | | \$14,700 | | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100017 | Prewett Street (Silver Sage to Beach Street) | Far North | 4 - Searsh | \$550 | | | \$550 | | Transportation/Public Works | General Obligation Bond |
| TPW-100019 | Trinity Parkway (University Dr.-West 7th) | Arlington Heights | 9 - Davis | \$6,000 | \$6,000 | | | | Transportation/Public Works | City Funds, Developer Funds, Federal Funds, General Obligation Bond |
| TPW-100020 | Dutch Branch Road (Extension at South Orient RR) | Wedgwood | 3 - Silex | \$1,300 | | | \$1,300 | | Transportation/Public Works | Developer Funds, General Obligation Bond, TxDOT |
| TPW-100021 | Westcreek Drive (BH-20 Southridge Terrace) | TCU/Westch, Wedgwood | 3 - Silex, 6 - Jordan | \$3,000 | | | \$3,000 | | Transportation/Public Works | General Obligation Bond |
| TPW-100023 | Beach Street (Golden Triangle Boulevard to Keller Hicks Road) | Far North | 2 - Espino | \$5,000 | | | \$5,000 | | Transportation/Public Works | Developer Funds, General Obligation Bond, NCTCOG |
| TPW-100024 | Beach Street (Keller Hicks Road to Timberland Drive) | Far North | 2 - Espino | \$6,000 | | | \$6,000 | | Transportation/Public Works | Developer Funds, General Obligation Bond, NCTCOG |
| TPW-100025 | Keller Hicks Road (Timberland Drive to USS 77) | Far North | 2 - Espino | \$13,900 | | | \$13,900 | | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100026 | North Riverside Drive (Summerfields Boulevard to Heritage Trace Parkway) | Far North | 4 - Searsh | \$15,900 | | | \$15,900 | | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100027 | Kroger Drive (03-977 to Park Vista Boulevard) | Far North | 2 - Espino | \$9,400 | | | \$9,400 | | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100029 | Park Vista Boulevard (1,000' south of Kroger Drive to Wall Price Road) | Far North | 2 - Espino | \$3,700 | | | \$3,700 | | Transportation/Public Works | Developer Funds, General Obligation Bond |
| TPW-100030 | Old Decatur Road (Longhorn Road to Bailey-Boswell Road) | Far Northwest | 7 - Bardette | \$4,400 | | | \$4,400 | | Transportation/Public Works | Developer Funds, General Obligation Bond |

(TBD) To Be Determined.

This table of proposed capital improvements is intended to serve as a general guide for the allocation of financial resources. It does not imply any obligation to expend funds for the proposed projects.



Fort Worth Police Department
N/W FIELD OPERATIONS BUREAU

DATE: 04/07/2005

TO: Mr. Brad Bell

FROM: Officer J. L. Lawson 3049 (B512), FWPD

SUBJECT: Residence of Diamond Hill Apartment Complex

Dear Sir,

I am the NPO for the Diamond Hill area. I am writing you in reference to the part 1 offences for the PRA (police reporting area), which includes the apartment complex. The total for the year 2002 shows to be 36, the year 2003 shows to be 34 and the year 2004 was 54. The year 2004 broke down to the following: 7 burglary of vehicles, 14 burglary of habitations, 7 burglary of buildings, 14 thefts, 1 aggravated assault, 8 auto thefts and 1 criminal mischief (note: criminal mischief is usually not included in the part 1 offences, unless it meets additional criteria to meet a burglary by the UCR code (uniformed crime report) and 2 offences that were mistakenly placed in this PRA by a wrong address (for a real total of 52). The part 1's in the apartment complex for the year 2004 were a total of 16 and broke down to the following: 6 burglary of habitations, 2 burglary of vehicles, 6 thefts, 1 auto theft and 1 criminal mischief.

I would like to note that before the apartment complex was built, this area was a large open field. The addition of the apartment complex approximately doubled the population in this PRA. This shows only a 1.25 part 1 growth, per month in this PRA during the year 2004, which is small accounting for the additional housing and population.

I also checked the part 1 totals for the beat area. The beat area includes the PRA the complex is in and 9 other PRA's, which make up the Diamond Hill area. The total for the year 2002 was 754, the year 2003 dropped to 554 and the year 2004 remained low at 597 total part 1's. This indicates that the apartment complex has little or no impact on the total part 1's in the area.

I would like to thank the staff of the complex for always being available and working with me and other officers of this department. They have had a Crime Watch group from the beginning and I believe this has been a major factor in keeping crime down. The management has taken the lead and encouraged all of the residences to participate in the Crime Watch group. They also have a police courtesy officer who lives on site, Officer Ruben Sandlin, who also does a great job of keeping problems to a minimum.

This area appears to be improving with the apartment complex as a model to the area. I meet with several different civic groups in the area and have never had a complaint about the complex.

Thank you


Officer J. L. Lawson 3049



TARRANT COUNTY

300 WEST BELKNAP
FORT WORTH, TEXAS 76196

PH: 817/884-1892

FAX: 817/884-3292

SERGIO L. DE LEON
CONSTABLE

November 16, 2004

Yvette Santiago
The Residences of Diamond Hill
3601 Deen Road
Fort Worth, Texas 76106

Re: Townhome Development in Diamond Hill/Jarvis Area

Dear Ms. Santiago:

It is with a great deal of pride and pleasure that I submit this letter of appreciation to The Residences of Diamond Hill for developing fine townhomes in our community that focuses on family and neighborhood revitalization.

The Diamond Hill/Jarvis area of Fort Worth is very important to my constituents in that it represents one of the most vital and stable neighborhoods that serve many middle income families. As a result, families of The Residences of Diamond Hill now have close access to schools, parks, and employment opportunities. Moreover, the development's after school BreakOut center is a tremendous free service for residents and helpful to providing positive activities for children.

Community leaders have worked diligently to revitalize north Fort Worth and your development has contributed greatly to our economic engine. Today many families are contributing to the local economy by patronizing business establishments in and around north Fort Worth.

In closing, I believe that you will find many citizens of Fort Worth who are dedicated to maintaining and improving residential development in our neighborhoods.

Sincerely,

A handwritten signature in dark ink, appearing to read "S. De Leon", written over a circular stamp or seal.

SERGIO L. DE LEON
Constable, Prec. 5

-sld

to allow more intense land uses. However, these rezonings did not always stimulate new development. As a result, many neighborhoods have zoning classifications that do not conform to current land uses.

To have zoning conform strictly to the proposed land uses in Appendix C, approximately 29 percent of the land within the city limits would have to be rezoned. About half of this area is currently undeveloped. The other half largely represents districts in which the existing zoning does not conform to the existing low-intensity land uses. The map on this page shows, by planning sector, the extent to which zoning does not conform to the desired land uses. The percentage of the area within a sector that does not conform to the future land use plan ranges from seven percent in the Far North sector to 45 percent in the Northside sector.

To guide growth and development effectively and efficiently, the City's zoning regulations and districts should generally conform to the adopted Comprehensive Plan. Because of the number of zoning districts that do not currently conform to the plan and/or existing uses, the City should initiate zoning changes. A process has been established to prioritize zoning changes and to ensure a desired consensus. The City involved property owners, neighborhood organizations, and other interested parties in developing the process by which the City initiates such zoning changes. More information may be found in Chapter 22: Development Regulations.

GOALS

- Achieve a multiple growth center development pattern by encouraging higher intensity residential and commercial uses within mixed-use growth centers, and higher intensity industrial and commercial uses within industrial growth centers.
- Ensure that the City's zoning regulations and districts generally conform to the adopted Comprehensive Plan.
- Promote orderly development in growing areas.
- Provide for interconnectivity of streets and trails to reduce vehicle trips on arterial streets, increase efficiency, reduce air pollution, distribute traffic, improve access to public places, and improve efficiency in providing services and deliveries, and provide access for emergency services.

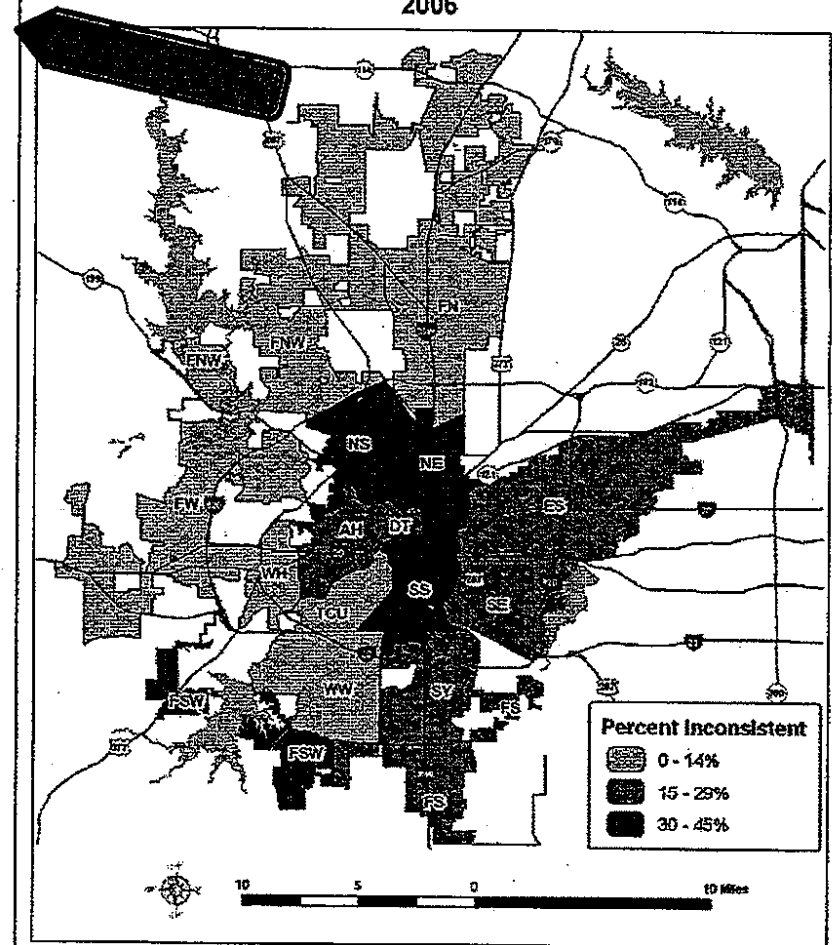
POLICIES AND STRATEGIES

The following policies and strategies are prescribed for development and redevelopment of the City. They should be used as a guide for evaluating and proposing land development projects.

Policies

- To promote orderly growth in developing areas, the City should generally support single-family residential development with lot sizes that are compatible with surrounding single-family lot sizes. Furthermore, the City should generally support small-lot single-family zoning districts (i.e. AR and A-5) near mixed-use growth centers, where the City seeks to concentrate employment and public services. The City should support larger-lot single-family residential zoning districts (i.e. A-7.5 through A-2.5A) in more remote locations.

Percentage of Incorporated Land Area within Each Sector for which Zoning is Inconsistent with Proposed Future Land Use, 2006



(Source: Planning Department, 2006).

greatest volume of activity has been seen in the Magnolia Village and Ridglea/Como NEZ areas, with 29 percent and 25.8 percent of planned investments to date. Other areas with strong NEZ activity are Berry/University, Trinity Park, and Stop Six, with 12 percent, 9.5 percent, and 7.5 percent of planned investments.

Rental Housing Costs

The local rental market since 2000 has been soft due to two key factors: a weak economy, which slows formation of new households, and low interest rates which give many renters the opportunity to become homebuyers. According to MPF Research, the overall occupancy rate in Fort Worth apartments in March of 2005 was a low 87.8 percent, with the average rent only \$608. In contrast Dallas had an average rent of \$709, and an occupancy rate of 89.9 percent. The Fair Market Rent (FMR) set by HUD in the Fort Worth/Arlington area is presently \$597 for a 1-bedroom, \$732 for a 2-bedroom, and \$995 for a 3-bedroom. The citywide average rents for early 2005 were \$523, \$697, and \$898 for these unit sizes, indicating an affordable rental market.

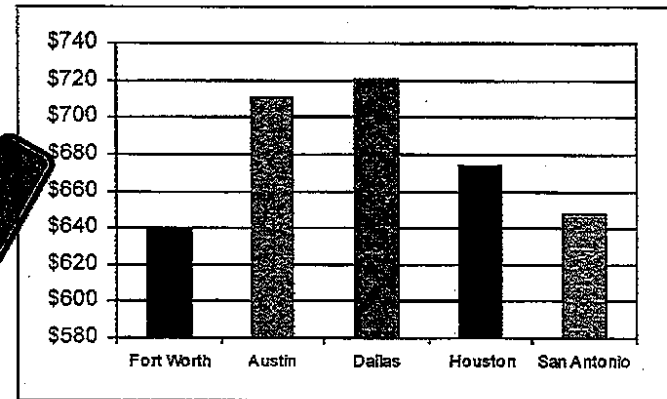
Though apartment rental is less expensive in Fort Worth than in many other areas, analysis of special tabulations of Census data provided by HUD indicate that there is a significant mismatch between affordable housing and low-income households. That is, many of the affordable units in the Fort Worth rental market are occupied by higher income households. According to this data, though there were 18,586 households with incomes less than 30 percent of the area median in 2000, there were only 11,811 rental units affordable to them, and 46 percent of these rental units are occupied by higher income households, thereby forcing the lower income households to live in higher priced housing. Furthermore, two-thirds of these affordable units were constructed prior to 1970, which means that they are more likely to be in poor condition and in need of repair. This need for affordable rental housing for lower income families is reflected in the length of waiting lists at the Fort Worth Housing Authority, with 2,246 households on the lists in June 2006.

Analysis of the HUD data also indicates that there are particular household types that are likely to have significant housing problems such as excessive cost (relative to the family's income), overcrowding, and substandard physical conditions. These household types include large families, particularly those with low incomes; renters with incomes under 50 percent of the area median (over 70 percent reporting housing problems); and very low income owners (69 percent in this category reported housing problems).

Assisted Housing

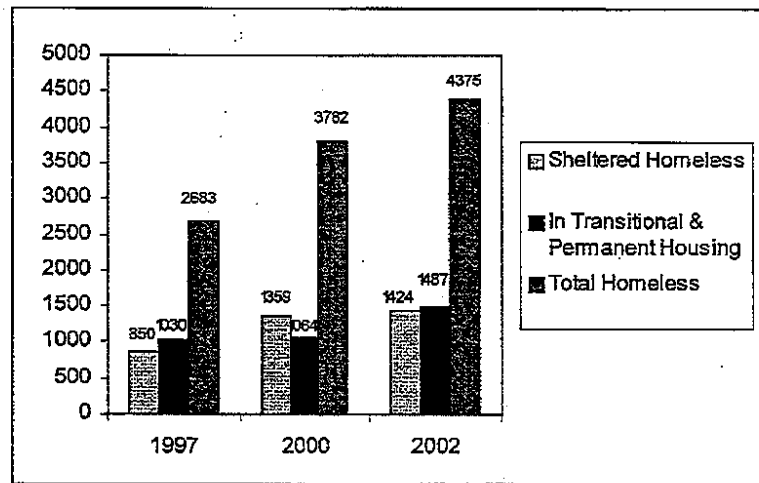
Assisted housing in Fort Worth includes those units managed by the Fort Worth Housing Authority (FWHA), and other units subsidized by federal and state programs such as the state's Low Income Housing Tax Credit (LIHTC) and bond programs or HUD's multifamily loan and insurance programs. A recent analysis identified a total of 15,465 such assisted units (not including FWHA rental assistance vouchers). When the 5,297 Housing Choice Vouchers and Shelter Plus Care rental

Average Apartment Rents, 2005



In May 2005, Fort Worth's average apartment rent of \$639 was less than average rents in Austin, Dallas, Houston, and San Antonio. (Sources: Texas A&M Real Estate Center / MPF Yieldstar and ALN, 2006)

Growth in Homeless Population



Although the availability of appropriate permanent and supportive housing increased from 2000 to 2002, the growth in homeless population has out-paced available space both in shelters and in transitional and permanent housing. (Source: Tarrant County Community Development Homeless Survey Reports, 1997, 2000, 2002.)

assistance vouchers are included, these approximately 20,742 assisted housing units represent only 8.5 percent of Fort Worth's 2005 total of 245,509 housing units, and approximately 28 percent of all multifamily housing.

Housing or rental assistance managed by FWHA represents less than 3 percent of all city housing and approximately 7.6 percent of all Fort Worth rental housing, in 6,617 units. This includes 1,320 public housing units, 4,793 Housing Choice rental assistance vouchers (formerly called Section 8), and 504 tenant-based rental assistance units for special needs homeless persons.

Project-based rental assistance, another form of Section 8 subsidy, helped 1,800 eligible families at specific multifamily complexes in Fort Worth in 2000. The FWHA owns and manages one such 76-unit complex and is contract administrator for 268 units in five other complexes in the city. The Housing Authority also manages 384 units in two Affordable Housing Disposition Program (AHDP) properties. AHDP tenants may earn up to 80 percent of the Area Median Income, and pay a set rental amount, regardless of income, without rental subsidy. In addition, the FWHA owns two mixed-income properties: Overton Park Townhomes with 54 public housing units and Stonegate Villas with 58 public housing units. FWHA also has an agreement with the owner/developer of Sycamore Center Villas for 47 units that will be maintained as public housing units for 50 years. Also, FWHA recently purchased a HUD-foreclosure property in west Fort Worth, Cambridge Court, which will be maintained as mixed-income housing.

Like most larger older cities, Fort Worth is faced with the challenges of integrating residents into the larger community and physically improving traditional, older developments. A recent FWHA study explored alternatives for redevelopment of several older public housing sites by creating mixed-income communities. The FWHA has implemented these measures by using funds obtained from sale of the Ripley Arnold development in Downtown for the Overton Park and Stonegate Villa projects, and by pursuing 2005 Low Income Housing Tax Credits for the Cambridge Court and Samuels Avenue projects, creating 366 additional affordable rental units for households at 60 percent of median or below.

Homelessness

According to the January 2006 Tarrant County Homeless Count conducted by the Tarrant County Community Development Division and the Tarrant County Homeless Coalition, the estimated county-wide homeless population was 4,134 persons on any given night, including 2,151 persons in transitional or permanent supportive housing. (Transitional and permanent supportive housing residents who were formerly homeless are included in homeless population counts based on HUD standards.) Nearly three-fourths of the county's homeless population are within Fort Worth, as are three-fourths of the transitional and supportive housing units. This represents a 97 percent increase since 1997, when the total county-wide estimate was 2,683.

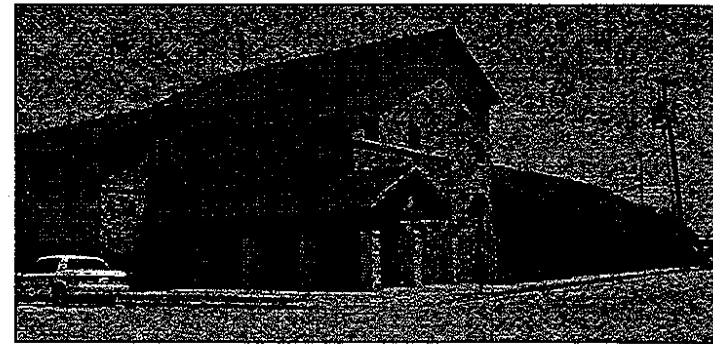
A review of homeless survey data from 1991 to 2004 reveals the following trends: a significant increase in the number of homeless women (from 27 percent to 46

Diamond Hill



New affordable housing in Diamond Hill, which opened in spring 2004, was the result of a partnership between a for-profit developer, the non-profit Adopt-a-Family program, and Low Income Housing Tax Credits from the Texas Department of Housing and Community Affairs. (Sources: Community Enrichment Center and Housing Department, 2004.)

Loudon-Schutts Emergency Shelter



The Loudon-Schutts Emergency Shelter for Homeless Women and Children represented a significant increase in the quality and quantity of appropriate shelter for a growing sector of the homeless population. (Source: Housing Department, 2004.)